



Imperial Oil

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Annual report to shareholders 1999



Company profile



Imperial Oil Limited is one of Canada's largest corporations and has been a leading member of the country's petroleum industry for more than a century. The company's mission is to create value for its shareholders through the development and sale of hydrocarbon energy and related products.

Imperial is the country's largest producer of crude oil and a major producer of natural gas. It is also the largest refiner and marketer of petroleum products – sold primarily under the Esso brand – with a coast-to-coast supply network. As well, the company is a major producer of petrochemicals.

About the cover

Imperial is part of the Sable Offshore Energy Project, which in 1999 achieved the first commercial production of offshore natural gas from Atlantic Canada. The company also acquired substantial leases in the vicinity of the project for future exploration.

Contents

- 2 *Letter to shareholders*
- 6 *Financial and operating overview*
- 11 *Review of operations*
 - 11 *Natural resources*
 - 18 *Petroleum products*
 - 22 *Chemicals*
- 25 *Safety, health and environment*
- 28 *Management and auditors' reports*
- 29 *Financial statements,*
accounting policies and notes
- 42 *Natural resources segment - supplemental information*
- 44 *Share ownership, trading and performance*
- 45 *Quarterly financial and stock trading data*
- 46 *Corporate governance*
- 48 *Directors, senior management and officers*

Information for investors

This report contains forward-looking information on future production, project start-ups and future capital spending. Actual results could differ materially as a result of market conditions or changes in law, government policy, operating conditions, costs, project schedules, operating performance, demand for oil and natural gas, commercial negotiations or other technical and economic factors.

Highlights

Net earnings increased to \$582 million in 1999 from \$554 million in 1998, as higher oil and natural gas prices and a strong operating performance more than offset lower industry product margins. Return on shareholders' equity rose to 13.5 percent.

Financial highlights

	1999	1998	1997	1996	1995
Net earnings (millions of dollars)	582	554	847	786	514
Cash flow from earnings (a)	1 163	1 267	1 427	1 449	1 308
Capital and exploration expenditures	653	612	639	564	570
Return on average capital employed (percent) (b)	11.5	10.8	15.2	12.4	7.7
Per-share information (dollars) (c)					
Net earnings	1.35	1.26	1.83	1.49	0.89
Cash flow from earnings	2.70	2.89	3.09	2.75	2.26
Dividends	0.75	0.74	0.73	0.68	0.63

(a) Cash flow from earnings is defined on page 30.

(b) Net earnings and after-tax interest expense (interest expense from page 40, note 13, at basic corporate rate, page 37, note 6), divided by average capital employed (page 34, note 1).

(c) Calculated by dividing the respective nominal amounts by the average number of shares outstanding, weighted monthly (page 44).

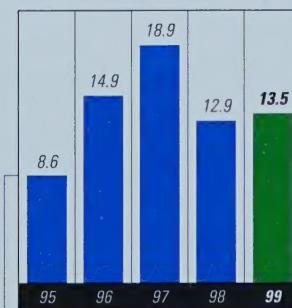
The per-share information has been restated to reflect a three-for-one share split in 1998.

EARNINGS PER SHARE (DOLLARS)



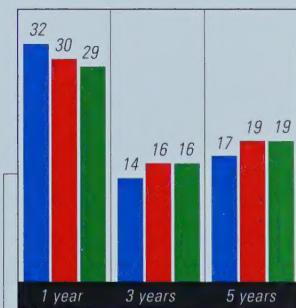
Earnings per share rose seven percent, mainly because of higher oil and natural gas prices.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY (PERCENT, NET EARNINGS DIVIDED BY AVERAGE SHAREHOLDERS' EQUITY)



Return on equity increased to 13.5 percent, as the company achieved double-digit returns for the fourth consecutive year.

SHAREHOLDER RETURNS (PERCENT PER YEAR, COMPOUNDED, BASED ON ORIGINAL INVESTMENT)*



Imperial continued to provide returns competitive with its industry peer group and the broader TSE index.

* Assumes dividends are reinvested

■ TSE 300 index

■ TSE integrated oils index

■ Imperial Oil

Letter to shareholders

R.B. (Bob) Peterson Chairman, president and chief executive officer



Imperial's 1999 financial results reflect solid operating performance, active management of those aspects of the business we can control, and a recovery in world oil prices

Imperial's financial results for 1999 reflect a combination of solid operating performance, active management of those aspects of the business we can control, and a substantial recovery in world crude oil prices during the year.

Net earnings for the year were \$582 million, or \$1.35 a share. Return on capital employed, at 11.5 percent, once again met our long-standing objective of a better than 10-percent return. Total return to shareholders for the year, including share price appreciation and dividends, was 29 percent. Over the past five years, the total return to shareholders has averaged 19 percent a year.

Imperial's financial position remains strong. At year-end, our holdings of cash and marketable securities amounted to \$674 million. Total outstanding debt was reduced during the year and now stands at 23 percent of the company's capital structure.

Undoubtedly, the most significant factor affecting Imperial's 1999 results was the recovery of international crude oil prices. A year ago, international crude oil prices had fallen to their lowest level in more than a decade. Since then, the world economy has improved, crude oil and petroleum product inventories have been reduced, and world crude oil production levels have come into closer balance with growing world demand. As a result, crude oil prices increased steadily throughout 1999 and now stand at their highest level since the Gulf crisis of 1990-1991.

At the same time, markets for petroleum products weakened significantly in 1999. Industry margins from refining and marketing operations came under severe pressure as intense competition made it impossible to fully recover rising raw-material costs in the marketplace. On an integrated basis, the positive benefits of high crude oil prices allowed Imperial's natural resources business to achieve its best results in more than a decade, which more

Flawless execution
Grow profitable sales volumes
Best-in-class cost structure
Improve the productivity of our asset mix

Imperial's four priorities for 2000

than offset the negative impacts of margin compression on the petroleum products business, where earnings were the lowest since 1990.

Looking ahead, our near-term business plan assumes that the Canadian economy will continue to show modest growth, that competition will remain intense and that markets for the various commodities we produce and sell will stay volatile. History has shown us many times that we cannot count on strong commodity prices or rising product margins to sustain improved business results. The only base for building shareholder value over the long term comes from actively managing those aspects of the business we can control.

This approach, focused on our overall objective of achieving a double-digit return on capital employed in each business unit, is the basis of our management strategy. It is reflected in our four long-standing corporate priorities of flawless execution, growing profitable sales volumes, achieving a best-in-class

cost structure and improving the productivity of our asset mix. These priorities will continue to guide our actions and management decisions.

Flawless execution means carrying out the day-to-day fundamentals better than any of our competitors while remaining focused on safe, reliable operations, and in this respect 1999 was a year of solid accomplishments.

We successfully completed the most extensive program of planned refinery maintenance in the decade, with excellent safety performance. Natural resources operations had their best year on record in both environmental performance and operating reliability. We also successfully completed a major multi-year project to streamline and integrate our core business processes and information systems, maintained all registrations for ISO 9000, and completed all necessary modifications to computer software and field systems to ensure a smooth transition to the year 2000.

Growing profitable sales volumes is a key element of improving shareholder value, and in 1999 we achieved overall volume growth in both the natural resources and petroleum products businesses.

While production of both conventional crude oil and bitumen from Cold Lake operations was lower than in 1998, Syncrude, in which Imperial holds a 25-percent interest, achieved a new production record with increased production from the north area reserves. Work also continued on a second phase of development at the north area and on the extension of operations to the Aurora deposits.

Late in the year the Sable Offshore Energy Project, in which Imperial is a participant, began producing the first offshore natural gas from Atlantic Canada. During the year Imperial acquired interests in eight new exploration licences to further develop this new source of production.

Also, during the year, the government of Alberta approved Imperial's application for a further expansion of our Cold Lake operations, on which construction will begin later this year. When completed, the expansion will increase bitumen production by 30,000 barrels a day.

In petroleum products, sales of high-value products increased during the year, in spite of weaknesses in some important sectors of the economy. In chemicals, work was completed on the first phase

of a project to manufacture and market cyclopentane to meet rising market demand. Cyclopentane is a high-value and environmentally friendly product that replaces chlorofluorocarbons (CFCs) in a variety of applications.

A best-in-class cost structure is essential to achieving superior results in a commodity-based business, and that remains our objective for every aspect of our operations. A number of business units have achieved a level of total costs that represents the best in class for our industry, and all other business units are implementing plans to bring them to that level as quickly as possible.

Improving the productivity of our asset mix means selective investment in high-performing assets and timely divestment of non-core or underperforming assets, as well as continuous improvement in the productivity of all ongoing operations. We invested a total of \$653 million in opportunities that included expansion of Syncrude, the Sable Offshore Energy Project, substantial upgrades to our retail service station network, and a major program to improve yields of higher-value products from our refineries in central Canada. In 1999, proceeds from asset sales were \$88 million.

Capital expenditures in 2000 are expected to be about \$700 million, although the actual level of investment will depend on market conditions and the continuing economic viability of projects under consideration.

On the public-policy front, at Imperial we continue to be concerned about Canada's response to the issue of potential climate change. Throughout 1999, the company actively participated in the national consultation process aimed at developing an implementation plan to meet Canada's greenhouse-gas emissions-reduction target under the Kyoto protocol. However, we continue to believe that Canada should not ratify the Kyoto protocol. Fixing limits on the use of fossil energy in order to meet the country's Kyoto commitment would effectively impose a cap on the size of the Canadian economy while providing negligible environmental benefits.

Canada and Canadians would be better served by a strategy of matching policy actions with evolving understanding of climate science, which remains

uncertain in many key areas. In the near term, this means encouraging market-driven efforts to use energy more efficiently and investments in science, technology and adaptation.

In summary, with its considerable financial strength, high-quality resource base and operating capability, Imperial continues to have the flexibility to weather volatile markets with their wide swings in commodity prices, and to take advantage of investment opportunities for sustained long-term growth in shareholder value. And of course the company continues to benefit from having a workforce of dedicated and highly capable employees, who during 1999 once again demonstrated their ability to respond to the challenges of a demanding and uncertain marketplace.



February 22, 2000

Financial and operating overview

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS



Higher prices for oil and natural gas more than offset lower industry product margins

Net earnings were \$582 million, or \$1.35 a share, compared with \$554 million, or \$1.26 a share in 1998 (1997 – \$847 million, or \$1.83 a share). The increase was mainly due to higher crude oil and natural gas prices, which more than offset the effect of lower margins in petroleum products and chemicals.

Included in 1999 earnings were after-tax gains of \$17 million on asset sales. Results in 1998 included divestment gains of \$47 million (1997 – gains of \$179 million) and \$133 million in tax refunds.

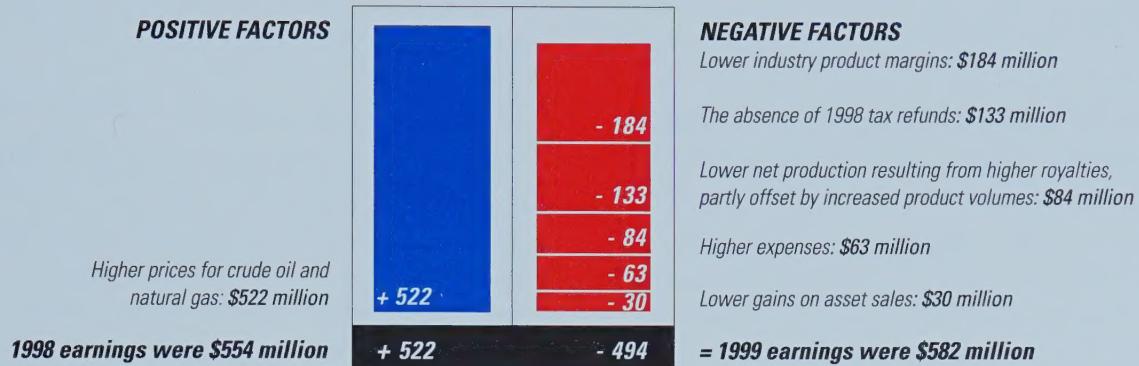
Earnings increased in the natural resources segment and declined in both petroleum products and chemicals in 1999. A detailed discussion of segmented operating results begins on page 11.

Earnings from corporate and other accounts were negative \$39 million in 1999, down from positive \$81 million in 1998 (1997 – negative \$44 million). The main reason for the change was the absence of the tax refunds received in 1998.

Cash flow from earnings was \$1,163 million, down from \$1,267 million in 1998 (1997 – \$1,427 million). Cash provided from operating activities increased to \$1,474 million, from \$852 million in 1998 (1997 – \$987 million). The increase resulted largely from higher accounts payable related to income taxes and raw-material purchases.

In June, the company renewed its normal course issuer bid program for another 12 months. No shares were purchased under these programs in 1999. However, since the company launched its first share-buyback program in 1995, it has repurchased about 25 percent of the total shares outstanding at that time for more than \$3.1 billion.

Imperial increased its quarterly dividend by more than five percent in November 1999 to 19.5 cents a share, an annualized rate of 78 cents a share. In all, the company declared dividends of 75 cents a share in 1999, up from 74 cents in 1998 (1997 – 73 cents).



Factors affecting Imperial's 1999 earnings

Strong financial position maintained

The company maintains a strong financial position. At the end of 1999, the company's balance of cash and marketable securities was \$674 million, compared with \$463 million at the end of 1998 (1997 – \$770 million). Debt represented about 23 percent of the company's capital structure at the end of 1999, compared with 31 percent at the end of 1998 (1997 – 29 percent).

Imperial retired a \$215-million issue of 9 7/8-percent debentures that matured during the year. In addition, the company redeemed \$87 million (U.S.) of its \$222-million (U.S.) issue of 8 3/4-percent sinking-fund debentures due in 2019. At the end of 1999, total debt outstanding was \$1,239 million, down from \$1,527 million at the end of 1998 (1997 – \$1,506 million).

Debt-related interest costs were \$128 million in 1999, basically unchanged from \$129 million in 1998 (1997 – \$122 million). The average effective interest rate on the company's debt was 7.2 percent in 1999, unchanged from the previous two years.

Imperial's ability to meet its debt obligations remained strong in 1999. On an earnings basis, interest coverage was 9.1 times, compared with 6.8 times in 1998 (1997 – 13.5 times). On a cash flow basis, interest coverage was 14.8 times, compared with 12.1 times in 1998 (1997 – 18.1 times).

Imperial is exposed to a variety of financial, operating and market risks. Some of these risks are within the company's control; others are not. For controllable risks, the company applies specific risk management strategies to reduce the likelihood of loss. For example, several years ago, Imperial introduced the operations integrity management framework, which provides a disciplined and structured approach to running all company facilities safely and reliably. The company has also continued to strengthen its comprehensive framework of business controls.

Risks that are not within the company's control include changes in international commodity prices and currency exchange rates. Imperial's potential exposure to those risks is summarized in the accompanying earnings sensitivity table. The amount quoted to illustrate the impact of each sensitivity (for example,

the \$2 [U.S.]-a-barrel change in crude oil prices) represents a change of about 10 percent in the value of the commodity or rate in question at the end of 1999.

Each sensitivity calculation shows the earnings impact of a change in one factor – after tax and after royalties – holding all other factors constant. While these sensitivities are applicable under current conditions, they may not apply consistently to larger fluctuations.

Imperial does not use derivative markets to speculate on the future direction of currency or commodity prices and does not sell forward any part of its production of natural resources, petroleum products or chemicals. The company may occasionally enter into short-term contracts to mitigate risks on specific purchase-and-sale commitments – for example, where a customer asks for a guaranteed price on a future delivery. At year-end, the total value of such contracts outstanding was zero. Interest and currency swaps have also been used, within limits, to manage the interest rate or currency exposure of the corporation's debt. There were no such swap contracts in place at the end of 1999.

Year-2000 problems prevented

Imperial's operations are large and complex, and make extensive use of computer systems and devices. Over the past four years, the company devoted considerable attention to preventing any disruptions to its operations or customers that might have resulted from the year-2000 issue.

Extensive monitoring of the performance of the company's systems and field devices was carried out during the transition to the year 2000. No serious events were recorded. Fuel and other supplies were not interrupted, and all customer-related systems such as debit-card processing continued to operate normally. The company's total cost to make its systems year-2000 compliant was \$39 million, most of which was expensed. Imperial will remain vigilant regarding any date-related systems errors during the balance of the year.

Capital and exploration expenditures increased to \$653 million in 1999, from \$612 million in 1998 (1997 – \$639 million). The funds were used mainly to maintain and expand oil and natural gas production

Net earnings by segment

millions of dollars	1999	1998	1997	1996	1995
Natural resources	518	107	466	333	233
Petroleum products	54	274	297	146	186
Chemicals	49	92	128	68	114
Corporate and other	(39)	81	(44)	239	(19)
Net earnings	582	554	847	786	514

Financial percentages and ratios

	1999	1998	1997	1996	1995
Total debt as a percentage of capital ^(a)	23.3	30.8	28.9	28.9	28.4
Interest coverage ratios					
Earnings basis ^(b)	9.1	6.8	13.5	8.0	6.8
Cash-flow basis ^(c)	14.8	12.1	18.1	14.3	12.2

(a) Current and long-term portions of debt (page 31 and page 36, note 3), foreign-exchange loss on currency swap and guarantees to third parties divided by debt, foreign-exchange loss on currency swap, guarantees to third parties and shareholders' equity (page 31). The currency swap and guarantees to third parties were settled in 1999.

(b) Net earnings (page 29), debt-related interest expense (page 40, note 13) and income taxes (page 29) divided by debt-related interest expense.

(c) Cash flow from earnings (page 30), current income tax expense (page 37, note 6) and debt-related interest expense divided by debt-related interest expense.

Earnings sensitivities

millions of dollars after tax

Two dollars (U.S.)-a-barrel change in crude oil prices	+ (-) \$ 100
Twenty cents-a-thousand cubic feet change in natural gas prices	+ (-) \$ 20
One cent-a-litre change in sales margins for total petroleum products	+ (-) \$ 165
Two cents (U.S.)-a-pound change in sales margins for polyethylene	+ (-) \$ 15
One-half-percent decrease (increase) in U.S. short-term interest rates	+ (-) \$ 3
Seven-cents decrease (increase) in the value of the Canadian dollar versus the U.S. dollar	+ (-) \$ 120

capacity, improve refining operations, enhance the company's retail marketing network and increase chemical production capacity.

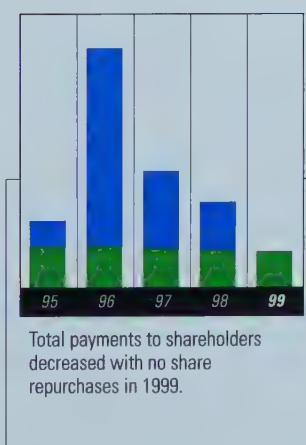
Capital spending expected to rise

Capital and exploration expenditures are expected to be about \$700 million in 2000. This amount will be financed from internally generated funds. Further information on the planned expenditures is contained in the reports on the three operating segments.

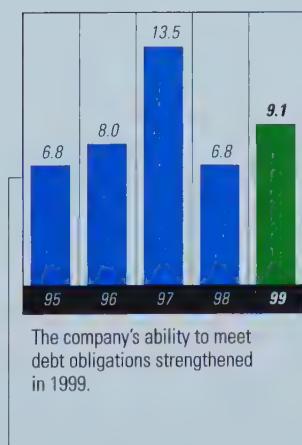
Expenditures in Canada on research and development were \$34 million in 1999, down from \$45 million in 1998 (1997 – \$61 million). Those funds were directed mainly towards developing improved methods for heavy-oil recovery and higher-quality lubricant products. In 1999, 13 original patents were awarded.

The number of full-time employees had declined to 6,550 by year-end 1999, compared with 6,689 at the end of 1998 (1997 – 7,096). The main reasons for the reduction were asset sales and a continued emphasis on productivity throughout the organization.

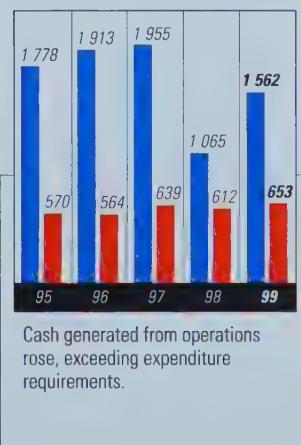
CASH PAYMENTS TO SHAREHOLDERS (MILLIONS OF DOLLARS)



INTEREST COVERAGE RATIO (EARNINGS BASIS)



CASH FLOWS BEFORE FINANCING AND BEFORE INVESTING IN SHORT-TERM SECURITIES (MILLIONS OF DOLLARS)



Share repurchases
Regular dividends

Cash from operating activities and asset sales
Capital and exploration expenditures

Imperial also hired 830 employees, 101 of them as part of the company's ongoing program of campus recruitment, which is an essential program for renewal of the company's human resource capabilities.

The company continued to pursue a structured program for identifying employee development needs and providing appropriate training to ensure attainment of corporate priorities.

Imperial continues to believe in supporting the communities and society in which it operates. The Imperial Oil Charitable Foundation contributed about \$6.5 million in 1999 to more than 440 organizations across Canada. Imperial's charitable

efforts are aimed at enhancing the quality of Canadian life through support for education, community services and culture, particularly in communities where we have a significant presence, with special focus on education and youth.

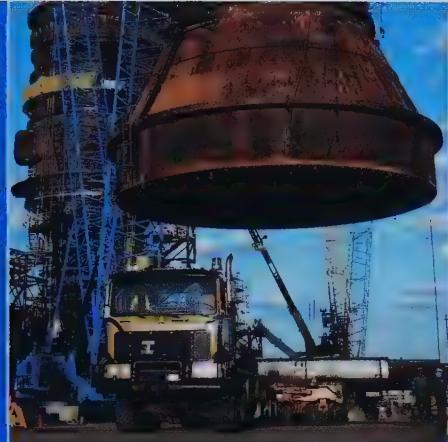
The company also continued its long-standing support for Canadian amateur hockey. During the 1999-2000 season, Imperial's sponsorships included or will include the Esso Women's National Hockey Championship and the Women's World Hockey Championship. Through the Esso schools program, the company is donating about 10,000 tickets for major national and international hockey events to students across the country, enabling them to have a first-hand look at some outstanding Canadian athletes.

Employees

	1999	1998	1997	1996	1995
Number of full-time employees at December 31	6 550	6 689	7 096	7 483	7 821
Total payroll and benefits (millions of dollars) (a)	730	670	810	770	751

(a) This includes both the company's payroll and benefit costs and its share of the Syncrude joint-venture payroll and benefit costs.

It excludes workforce-reduction costs.



Natural resources

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

Higher prices for crude oil and natural gas led to a substantial increase in resource earnings

Earnings from natural resources were \$518 million, up from \$107 million in 1998 (1997 – \$466 million). The main reason for the increase was higher prices for crude oil and natural gas. There was no earnings impact from asset sales in 1999, compared with a gain of \$15 million in 1998 (1997 – gain of \$143 million).

Return on average capital employed increased to 18.4 percent from 3.9 percent in 1998 (1997 – 15.5 percent).

Resource revenues increased to \$2.8 billion from \$2.0 billion in 1998 (1997 – \$2.8 billion), largely because of higher prices for crude oil and natural gas.

World oil prices recovered in 1999 from the low levels of 1998, mainly because of stronger world growth in demand for oil and substantial production cutbacks by some of the world's major oil-producing countries.

In 1998, growth in world oil demand, which had been increasing by more than 1.5 million barrels a day annually in recent years, eased to less than half a million barrels a day, largely because of an economic slowdown in the Asia-Pacific region. Growth in world

oil production of more than one million barrels a day exceeded demand growth, resulting in a decline in oil prices. For example, prices for Brent crude – the most actively traded North Sea crude and a common benchmark for world oil prices – had fallen to less than \$10 (U.S.) a barrel by the end of 1998.

World demand for oil increased

In 1999, recovering economies in Asia and continued economic strength elsewhere resulted in an increase in world demand for oil of about one million barrels a day. In addition, early in 1999, the principal members of the Organization of Petroleum Exporting Countries (OPEC) and some major non-OPEC oil-producing countries initiated substantial oil production cuts in an effort to reduce excess inventories.

As a result, oil prices increased steadily as the year progressed. The price of Brent crude rose to more than \$25 (U.S.) a barrel in late 1999 and averaged \$18 (U.S.) a barrel for the year as a whole, up 40 percent from \$12.75 a barrel in 1998 (1997 – \$19).

POSITIVE FACTORS

Higher prices for crude oil and natural gas: \$522 million

1998 earnings were \$107 million



+ 522



- 96

- 15

NEGATIVE FACTORS

Lower net production resulting from higher royalties: \$96 million

Fewer asset sales: \$15 million

= 1999 earnings were \$518 million

Factors affecting earnings from natural resources

The company's realizations on sales of conventional Canadian crude oil increased in line with international markets to \$24.75 (Canadian) a barrel in 1999, from \$17.45 a barrel in 1998 (1997 – \$25.03).

Markets for Canadian heavy oil, including blended bitumen from Cold Lake, strengthened even more. One factor was the cutbacks initiated by OPEC and other producing countries, which focused more on heavy oil than on lighter crudes. As well, Canadian industry production of heavy oil was curtailed by the very low prices that prevailed at the beginning of 1998. This combination of reduced supplies of international and domestic heavy oil in the face of steady demand was a major factor in the 60-percent increase in the price of Canadian heavy oils, as illustrated by Bow River crude.

Natural gas prices strengthened

Prices for Canadian natural gas also rose in 1999. Improved access to strong U.S. markets for natural gas, resulting from expanded export pipeline capacity from Alberta, allowed Canadian natural gas prices to attain parity with U.S. natural gas markets. The average Alberta Reference price for natural gas was \$2.48 a thousand cubic feet in 1999, up from \$1.94 in 1998 (1997 – \$1.96).

Imperial's average realizations on natural gas sales increased to \$2.66 a thousand cubic feet from \$2.01 in 1998 (1997 – \$2.11).

Financial statistics

millions of dollars	1999	1998	1997	1996	1995
Net earnings	518	107	466	333	233
Revenues	2 756	1 959	2 845	2 494	2 267
Capital and exploration expenditures					
Exploration	29	51	55	73	86
Production	138	185	139	109	80
Heavy oil	263	162	239	170	164
Total capital and exploration expenditures	430	398	433	352	330
Capital employed at December 31	2 716	2 915	2 618	3 403	3 548
Return on average capital employed (percent)	18.4	3.9	15.5	9.7	6.3

Average realizations and prices

dollars	1999	1998	1997	1996	1995
Conventional crude oil realizations (a barrel)	24.75	17.45	25.03	26.71	21.72
Natural gas realizations (a thousand cubic feet)	2.66	2.01	2.11	1.99	1.46
Par crude oil price at Edmonton (a barrel)	27.80	20.37	27.90	29.40	24.29
Heavy crude oil price at Hardisty (Bow River, a barrel)	23.51	14.67	21.13 *	25.08	20.82

Net production decreased

The company's gross production of crude oil and natural gas liquids (NGLs) increased to 284,000 barrels a day from 279,000 barrels in 1998. However, net production decreased to 237,000 barrels from 251,000 barrels in 1998 (1997 – 238,000) because of higher royalties.

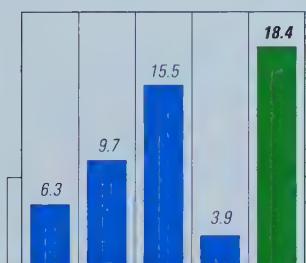
Net bitumen production at Cold Lake was 107,000 barrels a day, down from 126,000 barrels in 1998 (1997 – 108,000). The reduction resulted mainly from an increase in the effective royalty rate on gross production at Cold Lake, which depends in part on profitability. The rate increased to 18 percent in 1999 from eight percent in 1998 (1997 – five percent). Production in 1999 was also affected by decreased

steam injection and development drilling in 1998, which were undertaken as cost-reduction measures during the period of very low prices for heavy oil.

At Syncrude, gross production of upgraded crude oil increased to 223,000 barrels a day from 210,000 barrels in 1998 (1997 – 207,000), reflecting growing production from the north area reserves. Production in 1998 was affected by a maintenance shutdown of heavy-oil upgrading equipment. Imperial's share of average net production increased to 55,000 barrels a day in 1999, from 52,000 barrels in 1998 (1997 – 47,000).

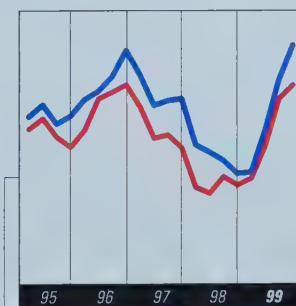
Net production of conventional oil declined to 51,000 barrels a day from 57,000 barrels in 1998 (1997 – 64,000), mainly because of natural reservoir decline.

NATURAL RESOURCES – RETURN ON AVERAGE CAPITAL EMPLOYED (PERCENT)



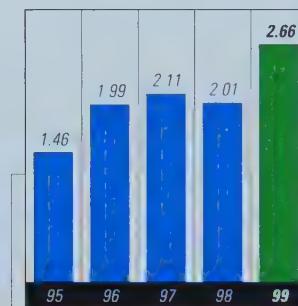
The best earnings in more than a decade propelled returns from natural resources to more than 18 percent.

CRUDE OIL PRICES (U.S. DOLLARS A BARREL)



Crude oil prices rose steadily throughout the year, and the differential between prices of light and heavy oil narrowed.

NATURAL GAS AVERAGE REALIZATIONS (DOLLARS A THOUSAND CUBIC FEET)



Higher prices for Canadian natural gas reflected strong U.S. markets and increased export pipeline capacity.

Net production of natural gas increased to 413 million cubic feet a day in 1999 from 379 million in 1998 and 1997. The main reasons were new natural gas developments at the Voyager and Murray River fields in central Alberta and northeastern British Columbia respectively, and increased compressor capacity at the Bonnie Glen field in Alberta. At Murray River, production increased because of the development of two new wells and the addition of compressor capacity. The Imperial-operated Voyager field in the Alberta Foothills began production in January 1999.

Net production available for sale grew to 244 million cubic feet a day from 227 million in 1998 (1997 – 203 million).

Expenses were unchanged

Total operating expenses were essentially unchanged from the previous year. Unit costs were down because of increased gross production.

Imperial sold interests in 12 properties in 1999. Proceeds from property sales were \$4 million, compared with \$79 million in 1998 (1997 – \$876 million).

Capital and exploration expenditures in 1999 were \$430 million, up from \$398 million in 1998 (1997 – \$433 million). Significant items in 1999 included a major expansion at Syncrude, completion of the first phase of the Sable Offshore Energy Project, productivity maintenance investments at Cold Lake and development drilling for conventional oil and natural gas.

Capital spending in Alberta's Athabasca oil-sands region was \$185 million, almost all of which was for Imperial's share of Syncrude's capital investment program. That compared with Syncrude investments of \$110 million in 1998 (1997 – \$78 million). The funds were used for extended oil-sands recovery operations and expanded upgrading capacity.

Syncrude expansion continues

Recovery operations are being extended to the Aurora deposits, located about 35 km north of the Syncrude upgrading plant. The expansion will employ truck-and-shovel mining techniques and a 35-km pipeline to transport a mixture of bitumen, water and sand to the central plant. The first phase of the Aurora project is

Crude oil and NGLs – production and sales ^(a)

thousands of barrels a day	1999		1998		1997		1996		1995	
	gross	net								
Conventional crude oil	65	51	70	57	82	64	95	75	105	82
Cold Lake	132	107	137	126	114	108	85	73	94	90
Syncrude	56	55	52	52	52	47	50	41	51	44
Total crude oil production	253	213	259	235	248	219	230	189	250	216
NGLs available for sale	31	24	20	16	22	19	26	22	30	26
Total crude oil and NGL production	284	237	279	251	270	238	256	211	280	242
Cold Lake sales, including diluent ^(b)	173		185		153		115		128	

Natural gas – production and sales ^(a)

millions of cubic feet a day	1999		1998		1997		1996		1995	
	gross	net								
Production ^(c)	469	413	439	379	454	379	474	388	522	426
Production available for sale ^(d)	300	244	287	227	278	203	280	194	377	281
Sales	393		356		354		344		440	

(a) Volumes a day are calculated by dividing total volumes for the year by the number of days in the year. Gross production is the company's share of production (excluding purchases) before deducting the shares of mineral owners or governments or both. Net production excludes those shares.

(b) Includes natural gas condensate added to the Cold Lake bitumen to facilitate transportation to market by pipeline.

(c) Production of natural gas includes amounts used for internal consumption with the exception of amounts reinjected.

(d) Production available for sale excludes amounts used for internal consumption and amounts reinjected.

expected to begin production in 2000 and will increase Syncrude's total output by 33,000 barrels a day of upgraded oil in 2001.

Development of the first phase of the Sable Offshore Energy Project – the first natural gas development off the East Coast of Canada – was completed in 1999. Natural gas began flowing from the offshore wells at year-end. Imperial has a nine-percent interest in the project. The company's share of capital spending in 1999 was \$84 million (1998 – \$79 million). When the first phase of the project reaches full production, Imperial's net share is expected to be 45 million cubic feet a day of natural gas and 2,100 barrels a day of NGLs.

Capital expenditures at Cold Lake increased to \$80 million in 1999 from \$62 million in 1998 (1997 – \$169 million). Capital was used mainly for productivity maintenance in phases 1 through 10. A total of 211 development wells were drilled in 1999 and six new production pads were completed.

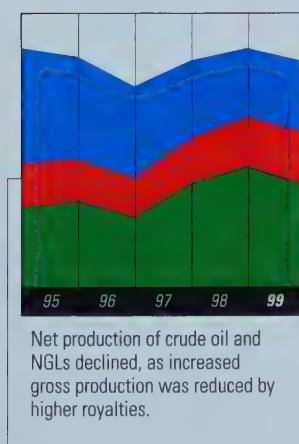
Spending on development drilling in Western Canada was about \$23 million, compared with \$33 million in 1998 (1997 – \$62 million). The main focus was new natural gas development opportunities.

Exploration expenditures were \$29 million, down from \$51 million in 1998 (1997 – \$55 million).

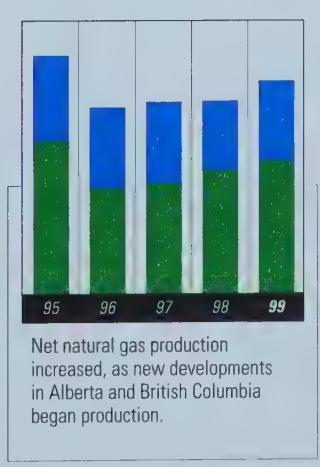
Imperial's exploration strategy in Western Canada is to search for hydrocarbons on its existing acreage and especially near established facilities. Higher-risk acreage is evaluated through farm-outs with other companies. During 1999, the company drilled four net exploratory wells. Discoveries and extensions added 63 billion cubic feet of net proved natural gas reserves.

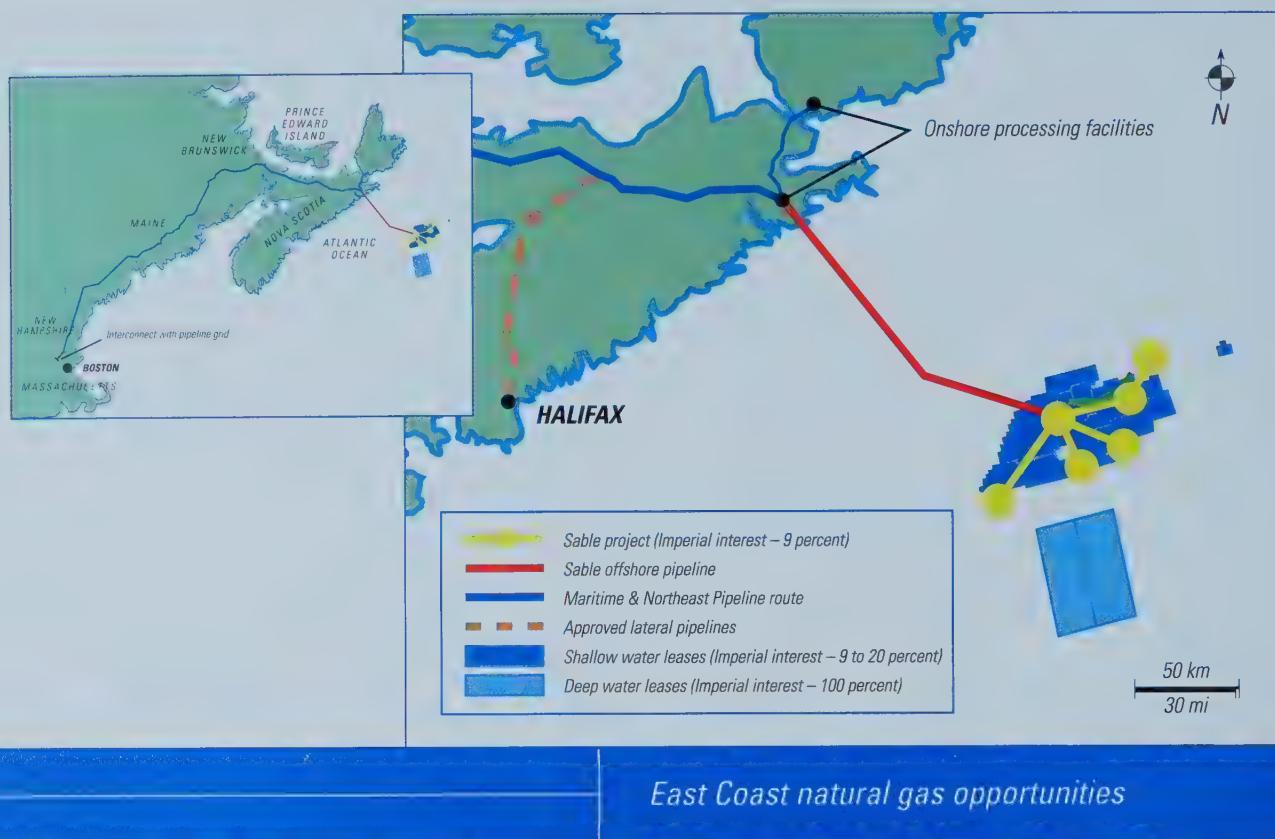
During the year the company also acquired interests in eight exploration parcels in the vicinity of the Sable Offshore Energy Project, with Imperial's share of proposed exploration spending on this acreage being \$139 million. Six of the parcels, consisting of a total of 217,000 hectares, are immediately adjacent to the existing project infrastructure. Imperial has a 20-percent interest in this acreage. The company also acquired a 100-percent interest in two additional parcels, consisting of 225,000 hectares farther offshore in deeper water. In total, Imperial holds exploration rights in 280,000 net hectares off Nova Scotia.

**CRUDE OIL AND NGLs –
NET PRODUCTION BY SOURCE**
(THOUSANDS OF BARRELS A DAY)



NATURAL GAS SALES
(MILLIONS OF CUBIC FEET A DAY)





Planned capital and exploration expenditures for 2000 are about \$450 million and include major expansions at Cold Lake and Syncrude, development drilling in Western Canada and in the Sable offshore area, and offshore exploration.

New Cold Lake phases approved

In November 1999, the Province of Alberta approved Imperial's application to develop another three phases at Cold Lake. When completed, this development will provide, on average, an additional 30,000 gross barrels a day of bitumen production for a capital investment of \$650 million. Construction is expected to start in 2000, with first bitumen production late in 2002. Included in the project is a 170-megawatt, \$150-million cogeneration project that will provide steam for the new phases, generate enough electricity to supply all of the company's Cold Lake operations and supply power to the Alberta electrical grid, thus improving the project's overall energy efficiency.

The Alberta government also approved a major expansion of upgrading capacity at Syncrude. When completed, this project, in combination with proposed expansions of the Aurora oil-sands deposits, will increase Syncrude's capacity to more than 350,000 barrels a day of synthetic crude oil by 2004. Construction of the project is expected to begin in 2001.

Planned expenditures for exploration and development drilling, as well as capacity additions to conventional oil and gas operations, are expected to be about \$135 million.

During the year, Imperial began discussions with other companies that hold major resources of natural gas in the Mackenzie Delta region of the western Arctic to evaluate the feasibility of developing those resources. There are many complex issues to be resolved

and many interested parties to be consulted before such a development could proceed. Imperial is the largest holder of onshore natural gas resources in the Mackenzie Delta region. Its Taglu deposit, discovered in 1971, contains an estimated three trillion cubic feet of natural gas.

Proved oil reserves increased

Net proved reserves of crude oil and NGLs increased by 181 million barrels, or 12 percent, in 1999. Reserve additions included 250 million barrels associated with Cold Lake phases 11 to 13. Net proved reserves were 1,680 million barrels at year-end, compared with 1,499 million at the end of 1998 (1997 – 1,588 million).

Net proved natural gas reserves decreased to 1,692 billion cubic feet from 1,752 billion at the end of 1998 (1997 – 1,612 billion). Reserve additions from extensions and discoveries were not sufficient to offset production.

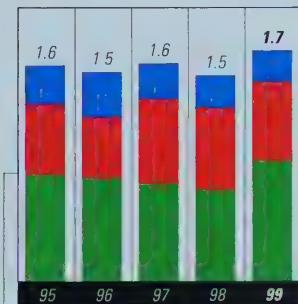
At the end of 1999, the company's total proved reserves on an oil equivalent basis were 2.0 billion barrels. On the same basis, reserve additions during the year replaced 254 percent of production.

Proved reserves of crude oil and natural gas ^(a)

Year ended	Crude oil and NGLs millions of barrels						Natural gas billions of cubic feet			
	Conventional		Cold Lake		Syncrude		gross	net	gross	net
	gross	net	gross	net	gross	net	gross	net	gross	net
1995	442	362	898	779	511	432	1 851	1 573	2 487	2 118
1996	400	331	867	752	492	443	1 759	1 526	2 186	1 872
1997	308	259	827	713	685	616	1 820	1 588	1 869	1 612
1998	280	235	776	667	665	597	1 721	1 499	2 045	1 752
1999	267	225	1 016	878	645	577	1 928	1 680	1 964	1 692

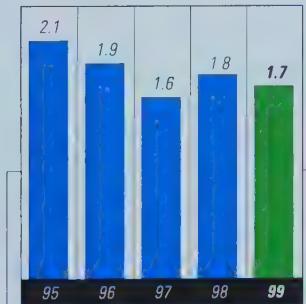
(a) Gross reserves are the company's share of reserves before deducting the shares of mineral owners or governments or both. Net reserves exclude these shares.

CRUDE OIL AND NGLs – NET PROVED RESERVES (BILLIONS OF BARRELS)



Proved oil reserves increased in 1999 because of additions associated with new bitumen development at Cold Lake.

NATURAL GAS – NET PROVED RESERVES (TRILLIONS OF CUBIC FEET)



Net proved natural gas reserves declined, as reserve additions were not sufficient to offset increased production.

- Conventional
- Syncrude
- Cold Lake

Petroleum products

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS



The company's first Tigermarket – an expanded convenience store that offers a wider range of grocery and convenience items – opened in Calgary during 1999.

Lower industry margins reduced earnings

Net earnings from petroleum products were \$54 million in 1999, or two-tenths of a cent a litre, down from \$274 million, or one cent a litre, in 1998 (1997 – \$297 million). Lower industry margins were the main reason for the decline. Earnings in this segment fell to their lowest level since 1990, a year when crude oil prices rose substantially prior to the Gulf War. Return on average capital employed was 2.2 percent, compared with 11.3 percent in 1998 (1997 – 12.4 percent).

Asset sales contributed \$9 million to earnings in 1999, compared with \$7 million in 1998 (1997 – nil).

Although higher product prices did not fully recover rising raw-material costs, they caused revenues to increase to \$8.4 billion, up about 14 percent from \$7.4 billion the previous year (1997 – \$8.8 billion).

The company's total sales volumes increased to 75.7 million litres a day in 1999, from 74.7 million litres in 1998 (1997 – 75.0 million). The proportion of domestic sales was 93 percent.

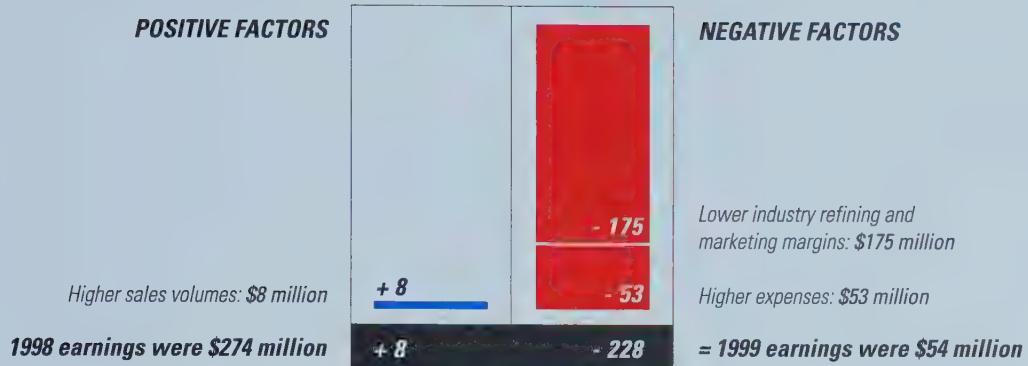
Imperial's strategy is to increase sales to higher-margin Esso-branded channels and to the most profitable wholesale markets in Canada and the United States.

Total company sales of gasoline were 31 million litres a day, essentially unchanged from 1998 and 1997. Gasoline sales through Esso service stations, which represent about 60 percent of the total, increased by one percent.

Sales of distillate products – which include heating oil, diesel fuel and jet fuel – increased five percent to 26.1 million litres a day from 24.9 million litres in 1998 (1997 – 26.2 million).

The principal factors behind the increase in sales of distillates were an increase in heating oil sales due to somewhat colder weather in 1999 and increased sales of jet fuel. Sales of diesel fuel increased by five percent. This was the net result of increased sales in eastern and central Canada, and lower volumes in the West because of reduced activity in some resource industries that consume large quantities of diesel fuel.

Asphalt sales grew by five percent as a result of increased production capability at the company's Nanticoke refinery in Ontario. The expanded Nanticoke asphalt plant operated at capacity during the year. Heavy fuel oil production and sales were lower in 1999 as a result of increased sales of higher-value asphalt products and improved operations at the Sarnia, Ontario, upgrading unit.



Factors affecting earnings from petroleum products

Lubricant sales were about the same as the previous year.

The company maintained ISO 9000 registrations in all key parts of its business and once again received awards for product quality and service from such major customers as DaimlerChrysler and the North American manufacturing division of Toyota Motors.

Imperial continued to be a leader at the annual Canadian service-station awards, this year taking honors in 14 out of 26 categories. This included seven first-place awards, in categories such as overall station appearance and merchandising.

Petroleum product margins declined substantially in 1999 from the previous year. About half the decline was related to conditions in the refining industry, where excess product inventories constrained wholesale prices from rising as quickly as the steadily rising costs of petroleum feedstocks. The other half of the decline was in marketing operations, where market and contractual restraints limited full recovery of increases in wholesale prices.

Total operating costs increased by about five percent in 1999, partly because of major programs of planned maintenance at all the company's refineries.

Financial statistics

	1999	1998	1997	1996	1995
millions of dollars					
Net earnings	54	274	297	146	186
Revenues	8 413	7 409	8 778	8 798	7 899
Capital expenditures					
Marketing	85	101	75	107	116
Refining and distribution	109	80	93	64	93
Total capital expenditures	194	181	168	171	209
Capital employed at December 31	2 416	2 403	2 468	2 332	2 286
Return on average capital employed (percent)	2.2	11.3	12.4	6.4	7.8

As a result of the maintenance programs, refinery utilization declined to 89 percent from 91 percent in 1998 (1997 – 92 percent).

"Win and Earn" promotion launched

The company introduced its Win and Earn retail marketing promotion in 1999 as a further enhancement of the Esso Extra loyalty program. This promotion, supported by a series of commercials featuring hockey legend Wayne Gretzky, offers customers the opportunity to win attractive prizes and, at the same time, earn points that can be redeemed for everyday convenience items.

In 1999, Imperial introduced an expanded convenience store design at one of its major service-station sites in Calgary. With a store area of more than 3,000 square feet, the new Tigermarket offers a wider range of grocery items – including fresh produce, milk and pasta – in addition to banking services and a full range of snack and convenience products. The company is in the process of extending the Tigermarket format to a number of locations across the country.

The company invested \$49 million in 1999 to strengthen its Esso service-station network. This included building eight new sites and rebuilding

and upgrading another 25 sites. Forty company sites were closed or divested.

Average throughput of company-owned service stations increased to 4.2 million litres per year per station, up from 4.1 million last year (1997 – 4.0 million). This represents the eighth year of productivity increases.

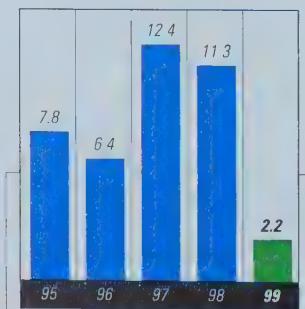
The company's customer support phone centre in Moncton, N.B., which began operations in 1998, was expanded during the year to offer better service and reduce costs. By year-end, about 130 people were located at the centre, providing information and service to a growing range of customers.

Pipeline reversal completed

To provide Ontario refineries, including the company's plants in Sarnia and Nanticoke, with greater flexibility in their choice of crude oil supplies, Enbridge Pipelines Inc. completed the reversal of its Sarnia-to-Montreal pipeline during the year. The pipeline reversal and related expansion of the Portland-Montreal pipeline provide access to offshore sources of crude oil, which has the potential to make the company's central Canadian refineries more competitive.

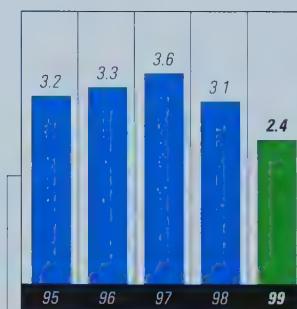
Capital expenditures in 1999 were \$194 million, compared with \$181 million in 1998 (1997 –

PETROLEUM PRODUCTS – RETURN ON AVERAGE CAPITAL EMPLOYED (PERCENT)



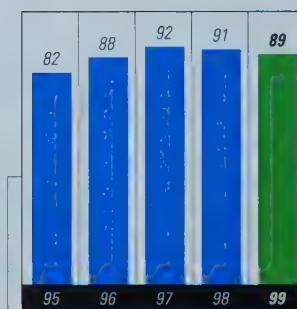
Petroleum product returns declined substantially, as earnings reached their lowest level since 1990.

AVERAGE REFINING MARGINS* (CANADIAN CENTS A LITRE)



Average refining margins fell substantially in 1999, as rising feedstock costs could not be recovered in product prices.

UTILIZATION OF TOTAL REFINERY CAPACITY (PERCENT)



Extensive planned refinery maintenance led to reduced utilization rates.

*New York Harbor product prices minus West Texas Intermediate crude; reflects Imperial's product mix

Sales volumes

millions of litres a day (a,b)	1999	1998	1997	1996	1995
Gasolines	31.0	31.2	31.2	31.5	30.8
Heating, diesel and jet fuels	26.1	24.9	26.2	25.5	24.2
Heavy fuel oils	4.6	6.2	5.1	5.7	6.3
Liquefied petroleum gas, lube oils and other products	14.0	12.4	12.5	11.7	11.1
Total petroleum products	75.7	74.7	75.0	74.4	72.4
Total domestic sales of petroleum products (percent)	93.0	92.4	92.1	92.9	94.2

Refinery utilization

millions of litres a day (b)	1999	1998	1997	1996	1995
Total refinery throughput (c)	70.1	70.7	71.3	68.9	67.3
Refinery capacity at December 31	78.7	77.8	77.8	77.8	78.4
Utilization of total refinery capacity (percent)	89	91	92	88	82

(a) Excludes sales made under purchase and sale agreements with other companies (see page 33, revenues).

(b) Volumes a day are calculated by dividing total volumes for the year by the number of days in the year.

(c) Crude oil and feedstocks sent directly to atmospheric distillation units.

One thousand litres is approximately 6.3 barrels.

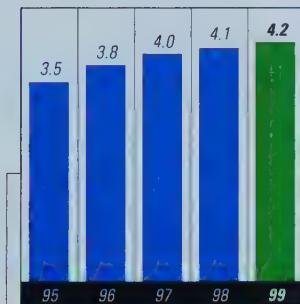
\$168 million). In the refinery network, expenditures were used to improve product yields and included: upgrades to the Sarnia coking unit that will allow it to process increased quantities of heavy oil; expanded asphalt capacity at Nanticoke; and expanded production capacity for high-quality lubricants at the Sarnia refinery.

Capital expenditures in 2000 are estimated to be \$200 million. Major items include projects to improve the profitability of central Canadian refining operations and to continue upgrading the company's marketing network.

In 1999, the federal government introduced regulations to substantially reduce sulphur levels in gasoline by 2002, with a further reduction in 2005. This is a different timetable than the one proposed for sulphur reductions in the United States, which has no interim target in 2002. Imperial therefore supports proposals from the Canadian refining industry that the regulations be amended to harmonize with U.S. requirements for lower sulphur gasoline so that Canadian industry will not be competitively disadvantaged. The initial estimate of the total cost to the Canadian refining industry of meeting the sulphur reduction targets is \$1.6 billion.

SERVICE-STATION THROUGHPUT – COMPANY-OWNED AND LEASED STATIONS

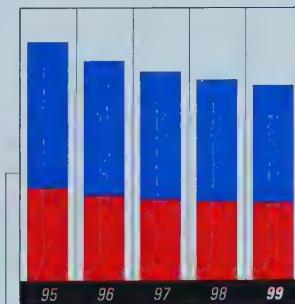
(MILLIONS OF LITRES PER SITE)



The productivity of company-owned stations increased for the eighth successive year.

ESSO SERVICE STATIONS

(AVERAGE NUMBER)



The company continued to close or debrand less productive outlets, while investing \$49 million to enhance prime locations.

Dealer-owned or leased
Company-owned or leased

Chemicals

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS



Polyethylene manufactured at the company's world-class plant in Sarnia is used to make durable products such as this mobile ice chest.

Earnings were lower because of the absence of divestments and higher expenses

Net earnings from the chemicals segment were \$49 million, down from \$92 million in 1998 (1997 – \$128 million). The main reasons for the decline were the absence of divestments, coupled with higher expenses related to capital projects.

Return on average capital employed was 37.1 percent, compared with 57.5 percent in 1998 (1997 – 63.4 percent).

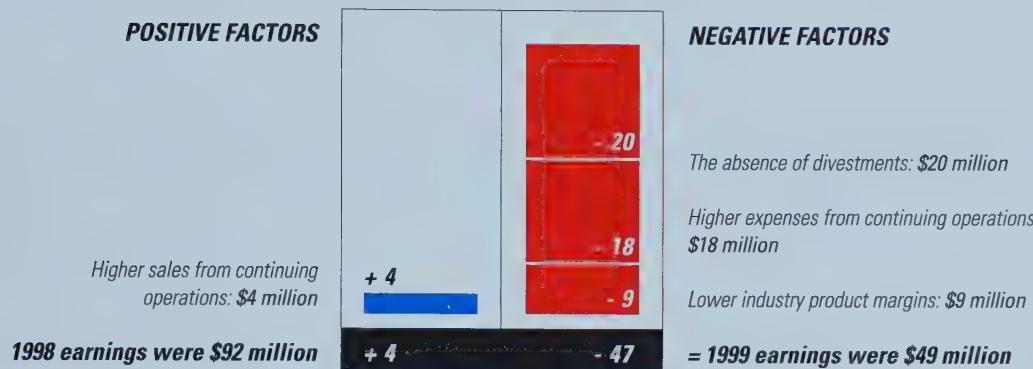
Total revenues decreased to \$730 million from \$865 million in 1998 (1997 – \$1,044 million). The principal factor behind this decrease was a lower overall volume of petrochemical sales resulting from the divestment of two business units in 1998 – a polyvinyl chloride (PVC) manufacturing plant and the Paramins additive business. Revenues from continuing operations increased.

Industry margins declined

The average industry polyethylene price was \$1,244 a tonne in 1999, up 11 percent from \$1,121 a tonne in 1998 (1997 – \$1,355). Selling prices for the company's other petrochemical products were also generally higher. However, industry margins on all products declined, as raw-material costs rose more than selling prices.

Sales of petrochemicals decreased to 3,000 tonnes a day from 3,500 tonnes in 1998 (1997 – 3,400), largely due to the absence of PVC and Paramins additive volumes in 1999.

Sales volumes from continuing operations increased, mainly because of higher polyethylene sales, which reflected record production from the company's Sarnia plant and increased resales. Benzene sales were also higher as a result of a project to extract benzene from gasoline at the Nanticoke refinery and a benzene-recovery project at the company's facilities in Sarnia.



Factors affecting earnings from chemicals

Financial statistics

millions of dollars	1999	1998	1997	1996	1995
Net earnings	49	92	128	68	114
Revenues	730	865	1 044	875	894
Capital expenditures	20	17	25	20	13
Capital employed at December 31	138	126	194	210	178
Return on average capital employed (percent)	37.1	57.5	63.4	35.1	57.1

In 1999, the company completed the first full year of operation of its cyclopentane facilities in Sarnia, which were commissioned in late 1998. This new product has been developed as a substitute for ozone-depleting chemicals now used in the manufacture of foam insulation. Those chemicals must be phased out, and cyclopentane represents a more environmentally friendly alternative. Imperial has initiated construction of additional cyclopentane facilities which, when completed, will triple annual capacity.

Operating costs decreased by four percent in 1999, largely because of the divestments.

Expenses from continuing operations increased

Expenses from continuing operations increased, with the largest factors being project-related expenses and the costs associated with increased sales volumes. The company's Sarnia polyethylene plant remains one of the most cost-competitive in North America.

Capital expenditures in 1999 were \$20 million, up from \$17 million in 1998 (1997 – \$25 million). This included expenditures to increase benzene recovery from the Nanticoke refinery and for the next phases of growth in cyclopentane and polyethylene capacity.

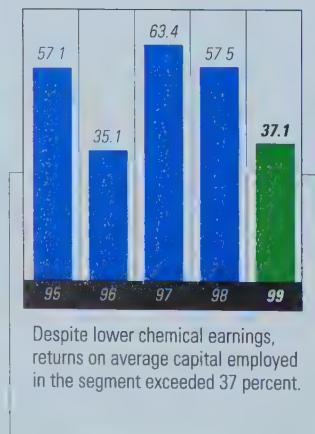
Planned expenditures in 2000 are about \$20 million. Funds will be used for further expansion of polyethylene capacity, which will increase annual production to 420,000 tonnes by 2001, and for another phase of cyclopentane production.

Sales volumes

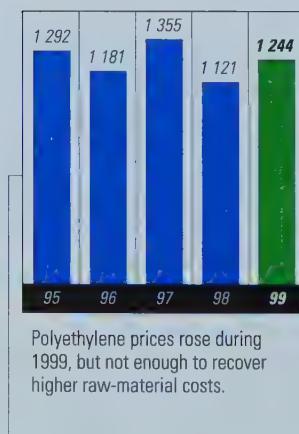
thousands of tonnes a day	1999	1998	1997	1996	1995
Polymers and basic chemicals	2.0	2.4	2.2	2.1	2.0
Intermediates, Paramins and other	1.0	1.1	1.2	1.1	1.1
Total petrochemicals	3.0	3.5	3.4	3.2	3.1

One tonne is approximately 1.1 short tons or 0.98 long tons.

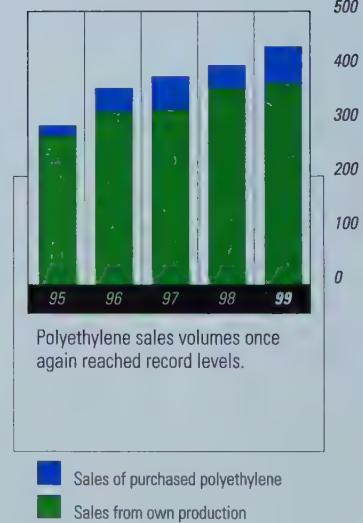
CHEMICALS – RETURN ON AVERAGE CAPITAL EMPLOYED (PERCENT)



POLYETHYLENE – AVERAGE INDUSTRY PRICES (CANADIAN DOLLARS A TONNE)



POLYETHYLENE SALES VOLUMES (THOUSANDS OF TONNES)





Safety, health and environment

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

Safety and environmental performance remains among the best in industry

Safety, health and environmental performance continues to be a priority, reflecting Imperial's commitment to environmental responsibility and to safeguarding the health and safety of employees, contractors and the public. In 1999, the company made capital expenditures of \$46 million on environmental and safety-related projects, up from \$40 million in 1998.

Imperial's safety performance remains among the best in Canadian industry. The number of safety-related incidents involving employees in 1999 was slightly higher than the record low achieved in 1998.

Contractor safety performance, essentially the same as in 1998, was very disappointing and included a fatality.

The company's resources division in total and petroleum products refining and supply operations each had only one employee lost-time incident during the year. Among significant safety milestones, the company's gas-conservation plant at Boundary Lake, B.C., surpassed 35 years without a lost-time incident, and well-servicing operations at Cold Lake have not

had an employee or contractor lost-time injury in more than five years. Sarnia and Dartmouth refineries have not had a lost-time employee injury since 1996 and 1997, respectively.

Incident costs reduced

The number of potentially hazardous operating incidents such as spills and fires was essentially unchanged from the low level experienced in 1998 and the associated costs of these incidents were reduced by about a third. This reduction reflects continued improvement and application of the company's operations integrity management system, which provides a disciplined approach to operating facilities safely and reliably, and conforms with the ISO 14001 international standard for environmental management systems.

All operating facilities also continued to test their ability to respond to incidents by simulating emergencies both on their own and with other response organizations.

The number of environmental compliance incidents in which substance releases temporarily exceeded government guidelines in 1999 was lower than in 1998. Over the past five years, these incidents have been reduced by more than 60 percent.

Under the federal government's National Pollutant Release Inventory (NPRI) program, Imperial reports annually on ongoing emissions from its operations and other releases to the air, land and water. The most recent report, covering 1998 activities, showed an eight-percent reduction in emissions from the previous year. Emissions from company operations have been reduced by about one-third since NPRI reporting began in 1993.

In 1999, the company's occupational health programs continued to focus on employees who might be exposed to potential health hazards. Occupational health

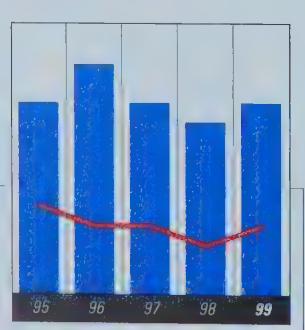
management is a key element of operations integrity, helping to determine priority workplace risks and to target health assessment programs where they are most beneficial.

As in previous years, Imperial continued to provide information on safety, health and environmental performance to communities surrounding its operating facilities. Reports were also made available on the company's Web site.

Work continued during 1999 on the cost-effective cleanup of facilities such as abandoned oil and natural gas wells and decommissioned service stations and refineries. The company continues to apply a range of technologies to site remediation work in order to better meet environmental goals and reduce costs.

EMPLOYEE AND CONTRACTOR SAFETY PERFORMANCE

(TOTAL RECORDABLE INCIDENTS PER 200,000 HOURS WORKED)



The company's overall safety record remains among the best in Canadian industry, but results among contract workers were disappointing.

Contractors
Employees

OPERATING INCIDENTS

(COSTING MORE THAN \$35,000)



The number of potentially hazardous incidents was essentially unchanged in 1999.

Energy efficiency improved

Imperial continues to look for cost-effective ways to improve the energy efficiency of its facilities and thereby reduce emissions of carbon dioxide (CO₂) and other greenhouse gases from its operations. For example, since 1994, the energy efficiency of its refineries has improved by more than 10 percent. In its 1999 submission to the Climate Change Voluntary Challenge and Registry (VCR) program, Imperial reported that its CO₂ emissions in 1998 had decreased five percent from the previous year and were at about the same level as in 1990. Imperial's most recent report was awarded gold status, the highest level in the VCR's rating system.

In keeping with its commitment to environmental responsibility, Imperial works actively, both on its own and through industry associations, to help governments find practical, cost-effective and risk-based solutions to Canadian air-quality concerns related to its products, facilities and operations.

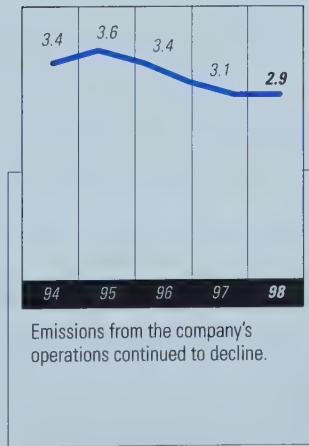
Additives reduce emissions

To improve Canadian air quality, Imperial continues to use gasoline additives that reduce emissions of nitrogen oxides, a factor in smog formation, and has made substantial investments to produce low-sulphur diesel fuel and reduce the benzene content of gasoline.

ENVIRONMENTAL COMPLIANCE NOTIFICATIONS
(NUMBER OF NOTIFICATIONS)



NPRI EMISSIONS AND TRANSFERS
(THOUSANDS OF TONNES)



Management report

The accompanying consolidated financial statements and all information in this annual report are the responsibility of management. The financial statements have been prepared in accordance with generally accepted Canadian accounting principles and include certain estimates that reflect management's best judgments. Financial information contained throughout this annual report is consistent with these financial statements.

Management has established and maintains a system of internal control that provides reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report the company's operating and financial results, and that the company's assets are safeguarded. The company's internal audit unit reviews and evaluates the adequacy of and compliance with the company's internal control standards. It is also the company's policy to maintain the highest standard of ethics in all its activities.

Imperial's board of directors has approved the information contained in the financial statements. The board fulfills its responsibility regarding the financial statements mainly through its audit committee, details of which are provided on page 47.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, was appointed by a vote of shareholders at the company's last annual meeting to examine the consolidated financial statements and provide an independent professional opinion.



R.B. Peterson



P.T. Mulva

February 22, 2000

Auditors' report

To the shareholders of Imperial Oil Limited

We have audited the consolidated statements of earnings and of cash flows of Imperial Oil Limited for each of the three years in the period ended December 31, 1999, and the consolidated balance sheets as at December 31, 1999, and 1998. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the company for each of the three years in the period ended December 31, 1999, and its financial position as at December 31, 1999, and 1998, in accordance with generally accepted accounting principles in Canada.



Chartered Accountants

Royal Trust Tower
Toronto-Dominion Centre
Toronto, Ontario

February 22, 2000

Consolidated statement of earnings

millions of dollars

For the years ended December 31

	1999	1998	1997	1996	1995
Revenues					
Operating revenues	10 259	9 002	10 669	10 377	9 428
Investment and other income (note 2)	89	143	453	124	172
Total revenues	10 348	9 145	11 122	10 501	9 600
Expenses					
Exploration	28	37	40	45	75
Purchases of crude oil and products	4 586	3 761	4 806	4 743	3 853
Operating	2 650	2 582	2 745	2 699	2 666
Federal excise tax	1 188	1 190	1 157	1 143	1 120
Depreciation and depletion	667	647	685	703	755
Financing costs (note 13)	197	181	162	235	208
Total expenses	9 316	8 398	9 595	9 568	8 677
Earnings before income taxes	1 032	747	1 527	933	923
Income taxes on earnings (note 6)	450	326	680	469	409
Income tax refunds (note 6)	—	(133)	—	(322)	—
Total income tax expense	450	193	680	147	409
Net earnings	582	554	847	786	514
Per-share information (dollars)					
Net earnings (a)	1.35	1.26	1.83	1.49	0.89
Dividends	0.75	0.74	0.73	0.68	0.63

(a) Per-share information is calculated by dividing net earnings by the average number of shares outstanding, weighted monthly (page 44).

The summary of significant accounting policies and the notes, found on pages 32 through 41, are part of these consolidated financial statements.

Certain figures for prior years have been reclassified in the financial statements to conform with the current year's presentation. There is no effect on net earnings.

Consolidated statement of cash flows

millions of dollars
inflow (outflow)

For the years ended December 31	1999	1998	1997	1996	1995
<i>Operating activities</i>					
Net earnings	582	554	847	786	514
Exploration expenses ^(a)	28	37	40	45	75
Depreciation and depletion	667	647	685	703	755
(Gain)/loss on asset sales, after tax (note 2)	(17)	(47)	(179)	19	3
Deferred income taxes and other	(97)	76	34	(104)	(39)
Cash flow from earnings ^(b)	1 163	1 267	1 427	1 449	1 308
Accounts receivable	(124)	76	40	(124)	39
Inventories and prepaid expenses	(16)	8	(77)	(16)	9
Income taxes payable	225	(178)	(372)	354	122
Accounts payable and other	226	(321)	(31)	73	165
Change in operating assets and liabilities	311	(415)	(440)	287	335
Cash from operating activities	1 474	852	987	1 736	1 643
<i>Investing activities</i>					
Capital and exploration expenditures ^(a)	(653)	(612)	(639)	(564)	(570)
Proceeds from asset sales (note 2)	88	213	968	177	135
Proceeds from marketable securities	59	79	42	575	1 014
Additions to marketable securities	(88)	(87)	(43)	(218)	(533)
Proceeds from promissory notes of Exxon Mobil Corporation subsidiary (note 15)	–	–	–	2 795	260
Additions to promissory notes of Exxon Mobil Corporation subsidiary (note 15)	–	–	–	(1 604)	(1 451)
Cash from (used in) investing activities	(594)	(407)	328	1 161	(1 145)
Cash flow before financing activities	880	445	1 315	2 897	498
<i>Financing activities</i>					
Repayment of long-term debt	(379)	–	(91)	(476)	(40)
Common shares purchased (note 10)	–	(434)	(694)	(1 772)	(236)
Dividends paid	(319)	(326)	(343)	(361)	(358)
Cash used in financing activities	(698)	(760)	(1 128)	(2 609)	(634)
Increase (decrease) in cash	182	(315)	187	288	(136)
Cash at beginning of year	433	748	561	273	409
Cash at end of year (note 15) ^(c)	615	433	748	561	273

(a) Exploration expenses, deducted in arriving at net earnings, are reclassified and included in investing activities in the consolidated statement of cash flows.

(b) Includes dividends received from equity investments of \$9 million (1998 – \$11 million; 1997 – \$12 million).

(c) Cash is composed of cash in bank, less outstanding cheques of \$160 million negative (1998 – \$136 million negative; 1997 – \$151 million negative) and cash equivalents of \$775 million (1998 – \$569 million; 1997 – \$899 million). Cash equivalents are carried at cost, plus accrued interest. Cash equivalents are all highly liquid securities with a maturity of three months or less when purchased.

Consolidated balance sheet

millions of dollars

At December 31

	1999	1998	1997	1996	1995
Assets					
Current assets					
Cash (note 15)	615	433	748	561	273
Marketable securities (note 11)	59	30	22	21	378
Promissory notes of Exxon Mobil Corporation subsidiary (note 15)	—	—	—	—	1 191
Accounts receivable	1 138	1 014	1 090	1 130	1 006
Inventories of crude oil and products (note 12)	451	438	466	398	385
Materials, supplies and prepaid expenses	125	122	102	93	90
Total current assets	2 388	2 037	2 428	2 203	3 323
Investments and other long-term assets	172	167	203	225	254
Property, plant and equipment (note 1)	6 905	6 984	7 172	7 814	8 170
Goodwill and other intangible assets	222	241	257	282	305
Total assets	9 687	9 429	10 060	10 524	12 052
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities (notes 8,15)	1 573	1 282	1 564	1 572	1 511
Income taxes payable	666	441	594	781	418
Current portion of long-term debt	—	215	—	24	—
Total current liabilities	2 239	1 938	2 158	2 377	1 929
Long-term debt (note 3)	1 239	1 312	1 506	1 542	1 968
Other long-term obligations (note 4)	894	970	1 013	1 057	1 097
Commitments and contingent liabilities (note 9)					
Total liabilities	4 372	4 220	4 677	4 976	4 994
Deferred income taxes	877	1 029	1 000	981	1 150
Shareholders' equity					
Common shares at stated value (note 10)	2 209	2 209	2 293	2 441	2 903
Net earnings retained and used in the business					
At beginning of year	1 971	2 090	2 126	3 005	3 018
Net earnings for the year	582	554	847	786	514
Share purchases (note 10)	—	(350)	(546)	(1 311)	(162)
Dividends	(324)	(323)	(337)	(354)	(365)
At end of year	2 229	1 971	2 090	2 126	3 005
Total shareholders' equity	4 438	4 180	4 383	4 567	5 908
Total liabilities, deferred income taxes and shareholders' equity	9 687	9 429	10 060	10 524	12 052

Approved by the directors



R.B. Peterson
Chairman, president and
chief executive officer



P.T. Mulva
Controller and senior vice-president,
finance and administration

Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of Imperial Oil Limited and its subsidiaries. Intercompany accounts and transactions are eliminated. Significant subsidiaries included in the consolidated financial statements include Imperial Oil Resources Limited, Imperial Oil Resources N.W.T. Limited, Imperial Oil Resources Ventures Limited and McColl-Frontenac Petroleum Inc.

A significant portion of the company's activities in natural resources is conducted jointly with other companies. The accounts reflect the company's proportionate interest in such activities, including its 25-percent interest in the Syncrude joint venture.

Inventories

Inventories are recorded at the lower of cost or net realizable value. The cost of crude oil and products is determined primarily using the LIFO (last-in, first-out) method. Costs include purchase costs and other applicable operating expenses. Selling and general administrative expenses are excluded.

Investments

The principal investments in companies other than subsidiaries are accounted for using the equity method. These represent interests in non-publicly traded crude oil pipeline companies. They are recorded at the original cost of the investment plus Imperial's share of earnings since the investment was made, less dividends received. Imperial's share of the after-tax earnings of these companies is included in "investment and other income" in the consolidated statement of earnings. Other investments are recorded at cost. Dividends from other investments are recorded as income.

Property, plant and equipment

Property, plant and equipment are recorded at cost.

The company follows the successful-efforts method of accounting for its exploration and development activities. Under this method, costs of exploration acreage are capitalized and amortized over the period of exploration or until a discovery is made. Costs of exploration wells are capitalized until their success can be determined. If the well is successful, the costs remain capitalized; otherwise they are expensed. Capitalized exploration costs are reevaluated annually.

All other exploration costs are expensed as incurred. Development costs, including the cost of natural gas and natural gas liquids used as injectants in enhanced (tertiary) oil-recovery projects, are capitalized.

Maintenance and repair costs are expensed as incurred. Improvements that increase or prolong the service life or capacity of an asset are capitalized.

Investment tax credits and other similar grants are treated as a reduction of the capitalized cost of the asset to which they apply.

Depreciation and depletion (the allocation of the cost of assets to expense over the period of their useful lives) are calculated using the unit-of-production method for producing properties. Depreciation of other plant and equipment is calculated using the straight-line method, based on the estimated service life of the asset. In general, refineries are depreciated over 25 years; other major assets, including chemical plants and service stations, are depreciated over 20 years.

Gains or losses on assets sold are included in "investment and other income" in the consolidated statement of earnings.

Goodwill and other intangible assets

Goodwill and other intangible assets, such as purchased customer lists, are charged to earnings on a straight-line basis over the period of expected continuing value, to a maximum of 20 years. The amortization is included in depreciation and depletion expense. The evaluation for impairment of goodwill is based on a comparison of the carrying values of goodwill and associated operating assets with the estimated undiscounted net cash flows from those operating assets.

Site-restoration costs

Provision for site-restoration costs (net of any expected recoveries) is made if they can be reasonably determined. This provision is based on engineering estimates of costs, taking into account the anticipated method and extent of remediation consistent with legal requirements, industry practices, current technology and the possible use of the site. For natural resource assets, accruals are made over the useful life of the asset using the unit-of-production method. For other assets, a provision is made at the time management approves the sale or closure of a facility.

Foreign-currency translation

Monetary assets and liabilities receivable or payable in foreign currencies have been translated at the rates of exchange prevailing on December 31. Unrealized exchange gains and losses arising from the translation of long-term debt are deferred and amortized over the remaining term of the debt.

Financial instruments

Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in the fair value of a financial asset is other than temporary, the financial asset is written down to its fair value. Unless otherwise indicated, the fair values of financial instruments approximate their recorded amounts.

The fair values of cash, marketable securities, accounts receivable and current liabilities approximate recorded amounts because of the short period to receipt or payment of cash. The fair value of the company's long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the company for debt of the same duration to maturity. The fair values of other financial instruments held by the company are estimated primarily by discounting future cash flows, using current rates for similar financial instruments under similar credit risk and maturity conditions.

The company's use of and method of accounting for derivative financial instruments are described in note 5 to the consolidated financial statements.

Revenues

Revenues associated with sales of crude oil, natural gas, petroleum and chemical products and other items are recorded when title passes from the company to its customer.

Certain purchases and sales of crude oil and products are undertaken to improve the company's operating efficiency. Some of the company's crude oil production is sold and other types of crude oil are purchased to optimize refining operations. Product purchase and sale agreements with other companies help Imperial meet its supply requirements while reducing transportation and other costs. Such sales and purchases are offset in the consolidated statement of earnings.

Consumer taxes and Crown royalties

Taxes levied on the consumer and collected by the company are excluded from the consolidated statement of earnings. These are primarily provincial taxes on motor fuels and the federal Goods and Services Tax. Crown royalties are also excluded.

Interest costs

Interest costs are expensed as incurred and included as financing costs in the consolidated statement of earnings.

Accounting principles

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. *Form 10-K*, filed with the United States Securities and Exchange Commission, includes a description of the differences between the generally accepted accounting principles (GAAP) in Canada and in the United States as they apply to the company.

The Canadian Institute of Chartered Accountants has issued new standards on accounting for employee future benefits and on accounting for income taxes. These standards will be adopted effective January 1, 2000, and will be applied retroactively with restatement of prior-year figures. The effects of these changes on the income statement are not expected to be material.

Notes to consolidated financial statements

1. Business segments

millions of dollars	Natural resources ^(a)			Petroleum products		
	1999	1998	1997	1999	1998	1997
Revenues						
External sales ^(c)	1 300	956	1 165	8 234	7 243	8 548
Intersegment sales	1 453	976	1 346	158	150	220
Investment and other income (note 2)	3	27	334	21	16	10
Total revenues	2 756	1 959	2 845	8 413	7 409	8 778
Expenses						
Exploration	28	37	40	—	—	—
Purchases of crude oil and products	588	510	595	5 201	3 923	5 232
Operating	773	777	845	1 696	1 607	1 657
Federal excise tax	—	—	—	1 188	1 190	1 157
Depreciation and depletion ^(d)	424	412	446	216	207	211
Financing costs	1	1	2	1	1	1
Total expenses	1 814	1 737	1 928	8 302	6 928	8 258
Earnings before income taxes	942	222	917	111	481	520
Income taxes (note 6)						
Current	495	195	477	206	153	176
Deferred	(71)	(80)	(26)	(149)	54	47
Total income taxes on earnings	424	115	451	57	207	223
Income tax refunds	—	—	—	—	—	—
Total income tax expense	424	115	451	57	207	223
Net earnings	518	107	466	54	274	297
Cash flow from earnings	899	460	771	109	531	589
Capital and exploration expenditures	430	398	433	194	181	168
Property, plant and equipment						
Cost	8 691	8 324	8 054	4 752	4 646	4 566
Accumulated depreciation and depletion	4 526	4 134	3 789	2 503	2 390	2 296
Net property, plant and equipment	4 165	4 190	4 265	2 249	2 256	2 270
Total assets	4 595	4 477	4 635	4 051	3 773	4 010
Total capital employed	2 716	2 915	2 618	2 416	2 403	2 468

(a) A significant portion of activities in the natural resources segment is conducted jointly with other companies. The segment includes the company's proportionate share of joint-venture activities, as follows:

millions of dollars	1999	1998	1997
Total revenues	1 354	1 037	1 669
Total expenses	863	870	967
Net earnings, after income taxes	265	73	332
Total current assets	251	201	271
Long-term assets	2 556	2 503	2 546
Total current liabilities	481	314	655
Other long-term obligations	159	146	136
Cash flow from earnings	521	293	514
Cash flow from operating activities	492	235	539
Cash (used in) investing activities	(322)	(287)	(219)

(b) Information is presented as though each segment were a separate business activity. Intersegment sales are made essentially at prevailing market prices. Consolidated amounts exclude intersegment transactions, as follows:

millions of dollars	1999	1998	1997
Purchases of crude oil and products	1 620	1 152	1 601
Operating expenses	15	17	16
Total intersegment sales	1 635	1 169	1 617
Intersegment receivables and payables	303	124	172

Chemicals			Corporate and other			Consolidated ^(b)		
1999	1998	1997	1999	1998	1997	1999	1998	1997
716	795	950	9	8	6	10 259	9 002	10 669
13	34	42	11	9	9	—	—	—
1	36	52	64	64	57	89	143	453
730	865	1 044	84	81	72	10 348	9 145	11 122
—	—	—	—	—	—	28	37	40
420	480	578	(3)	—	2	4 586	3 761	4 806
204	212	233	(8)	3	26	2 650	2 582	2 745
—	—	—	—	—	—	1 188	1 190	1 157
27	28	28	—	—	—	667	647	685
—	—	—	195	179	159	197	181	162
651	720	839	184	182	187	9 316	8 398	9 595
79	145	205	(100)	(101)	(115)	1 032	747	1 527
47	55	78	(146)	(107)	(69)	602	296	662
(17)	(2)	(1)	85	58	(2)	(152)	30	18
30	53	77	(61)	(49)	(71)	450	326	680
—	—	—	—	(133)	—	—	(133)	—
30	53	77	(61)	(182)	(71)	450	193	680
49	92	128	(39)	81	(44)	582	554	847
58	93	119	97	183	(52)	1 163	1 267	1 427
20	17	25	9	16	13	653	612	639
517	514	611	416	483	584	14 376	13 967	13 815
334	321	361	108	138	197	7 471	6 983	6 643
183	193	250	308	345	387	6 905	6 984	7 172
338	320	425	1 006	983	1 162	9 687	9 429	10 060
138	126	194	407	292	611	5 677	5 736	5 891

(c) Includes export sales to the United States, as follows:

millions of dollars	1999	1998	1997
Natural resources	1 041	690	1 051
Petroleum products	393	322	433
Chemicals	421	435	447
Total export sales	1 855	1 447	1 931

(d) Includes \$25 million of goodwill and other intangible assets charged to earnings in 1999 (1998 – \$25 million; 1997 – \$27 million). The accumulated amortization of goodwill and other intangible assets at December 31, 1999, is \$260 million (1998 – \$244 million; 1997 – \$220 million). Depreciation of corporate segment assets of \$13 million (1998 – \$14 million; 1997 – \$16 million) has been allocated to the operating segments that benefit from those assets.

The company operates its business in Canada, in the following segments:

Natural resources includes the exploration for and production of crude oil and natural gas.

Petroleum products comprises the refining of crude oil into petroleum products and the distribution and marketing of these products.

Chemicals includes the manufacturing and marketing of various hydrocarbon-based chemicals and chemical products.

Corporate and other includes assets and liabilities that do not specifically relate to business segments – primarily cash, marketable securities, various investments and long-term debt.

Net earnings in this category include income and gains from investments and financing costs.

Segment accounting policies are the same as those described in the Summary of significant accounting policies. Natural resources, petroleum products and chemicals operating expenses include amounts allocated from the corporate and other segment. The allocation is based on a combination of fee for service, proportional segment operating expenses and a three-year average of capital expenditures. Transfers of assets between segments are recorded at book amounts. Items included in capital employed that are not identifiable by segment are allocated according to their nature.

2. Investment and other income

Investment and other income includes gains and losses on asset sales as follows:

millions of dollars	1999	1998	1997
Proceeds from asset sales ^(a)	88	213	968
Book value of assets sold ^(b)	66	144	592
Gain/(loss) on asset sales, before tax ^(c)	22	69	376
Gain/(loss) on asset sales, after tax ^(c)	17	47	179

(a) Proceeds in 1999 included a \$4-million long-term receivable.

(b) Assets sold did not include cash.

(c) In 1998, gains on asset sales included a \$31-million gain (\$22 million after tax) on the sale of the chemicals Paramins business to Exxon Mobil Corporation (see note 15). The 1997 amount included a \$188-million (\$72 million after tax) gain on the sale of Judy Creek and Swan Hills producing properties and related facilities, a \$45-million (\$26 million after tax) gain on the sale of the Leduc producing properties and a gain of \$52 million (\$36 million after tax) on the sale of the company's interest in a chemical technology venture to Exxon Mobil Corporation (see note 15).

3. Long-term debt

Issued	maturity date	interest rate	1999	1998
millions of dollars				
Sinking-fund debentures ^(a)				
1989	October 15, 2019 (1999 – \$135 million (U.S.); 1998 – \$222 million (U.S.))	8 3/4	195	340
Other debentures and notes ^(a)				
1989	September 1, 2004 (1999 – \$600 million (U.S.); 1998 – \$600 million (U.S.)) ^(b)	Variable	866	920
1991	August 20, 2001 (1999 – \$200 million (U.S.); 1998 – \$200 million (U.S.))	8.3	288	307
Long-term debt (at period-end exchange rates)			1 349	1 567
Foreign-exchange loss on U.S. dollar debt ^(c)			110	255
Total long-term debt ^(d)			1 239	1 312

(a) No principal payments are due on sinking-fund debentures within the next five years; \$200 million (U.S.) of principal payments on other debentures and notes are due in 2001 and \$600 million (U.S.) are due in 2004.

(b) This debt bears interest based primarily on U.S. commercial paper interest rates and may be repaid in part or in full at any time before maturity without premium. The average effective rate for 1999 was 5.3 percent (1998 – 5.7 percent).

(c) The foreign-exchange loss on U.S. dollar debt is being amortized to earnings over the remaining life of the debt.

(d) At December 31, 1999, the company had \$604 million of uncommitted, unused lines of credit available for short-term financing. The estimated fair value of the long-term debt at December 31, 1999, was \$1,364 million (1998 – \$1,614 million).

4. Other long-term obligations

millions of dollars	1999	1998
Employee retirement benefits (note 7)	385	438
Site restoration ^(a)	397	403
Other obligations	112	129
Total other long-term obligations	894	970

(a) Total site restoration also includes \$57 million in current liabilities (1998 – \$58 million).

5. Derivative financial instruments

Derivatives are only used to reduce specific risk exposures of the company and are not held for trading purposes. Derivatives with leveraged features are not used. This policy is implemented as follows:

Crude oil, natural gas and product (energy) derivatives, and foreign-exchange forwards

The impact of price and foreign-exchange fluctuations on purchases and sales may be mitigated by selling and buying energy derivatives (primarily futures contracts and natural gas price swaps) and foreign-exchange forward contracts. These transactions are conducted on recognized commodities exchanges or with banks of the highest credit standing, and are normally settled in less than one year. Gains or losses on these contracts are recognized in earnings as a component of the related physical transaction.

At December 31, 1999, and 1998, there were no significant energy derivative or foreign-exchange forward contracts outstanding; no significant contracts were transacted in the years 1997 to 1999.

Interest and currency swap transactions

On December 15, 1999, a \$215-million 9½-percent (Canadian) debenture matured and was redeemed by the company. A currency and an interest-rate swap that were matched to \$150 million of the debenture, effectively converting this to a \$126-million (U.S.) floating-interest-rate debt, were also settled through the receipt of \$150 million (Canadian) and payment of \$126 million (U.S.). Settlement of the swaps at December 15, 1999, resulted in a realized loss of \$37 million (Canadian) of which \$9 million was included in 1999 earnings (1998 – \$12 million; 1997 – \$5 million). In 1999, the effect of the amounts paid and received in U.S. dollars on the interest-rate swaps was to reduce interest expense by \$1 million to achieve an average rate of 7.0 percent (1998 – \$1 million reduction to 7.6 percent; 1997 – \$1 million reduction to 7.8 percent).

6. Income taxes

millions of dollars	1999	1998	1997
Summary of income tax calculations			
Earnings before income taxes	1 032	747	1 527
Deduct earnings from equity investments	22	24	22
Adjusted earnings	1 010	723	1 505
Basic corporate tax rate (percent)	44.7	44.7	44.7
Income taxes at basic rate	451	323	673
Increases (decreases) resulting from			
Non-deductible payments to governments	123	47	80
Resource allowance	(161)	(60)	(108)
Manufacturing and processing credit	(23)	(15)	(27)
Non-deductible depreciation and amortization	50	42	78
Other	10	(11)	(16)
Income taxes on earnings ^(a)	450	326	680
Increases (decreases) in deferred income taxes from timing differences			
Depreciation and amortization	(20)	(27)	(10)
Pensions and benefits	19	45	1
Successful drilling, injectants and land acquisitions	(11)	(43)	(38)
LIFO inventory valuation	(146)	78	73
Other	6	(23)	(8)
Deferred income tax expense	(152)	30	18
Current income tax expense before income tax refunds	602	296	662
Income tax refunds ^(b)	–	(133)	–
Current income tax expense net of income tax refunds	602	163	662

(a) The effective income tax rate on earnings was 44.5 percent in 1999 (1998 – 45.1 percent; 1997 – 45.2 percent). Cash income tax payments, after deducting investment tax credits, were \$377 million in 1999 (1998 – \$584 million; 1997 – \$854 million).

(b) During 1998, final settlement was reached with Revenue Canada for a \$140-million tax refund including interest, relating to a number of outstanding taxation issues pertaining to the natural resources business for the period 1974 to 1990. A portion of the refund was recognized in earnings in prior years and \$59 million was included in 1998 earnings. Settlement was also reached with the Province of Alberta that resulted in a \$155-million tax refund including interest. A portion was recognized in earnings in prior years and \$74 million was included in 1998.

The operations of the company are complex, and related tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question. The company believes the provision made for income taxes is adequate.

7. Employee retirement benefits

Retirement benefits, which cover almost all retired employees and their surviving spouses, include retirement-income and certain health-care and life-insurance benefits. Retirement-income benefits are company-paid and are based on years of service and final average earnings. They are met through funded registered retirement plans and through unfunded supplementary benefits that are paid directly to recipients. The company shares in the cost of health-care and life-insurance benefits.

The expense and obligations for both funded and unfunded benefits are determined in accordance with generally accepted Canadian accounting principles and actuarial procedures. The process for determining retirement-income expense and related obligations includes making certain long-term assumptions regarding the discount rate, the return on plan assets and the rate of pay increases. For each of the past three years, these were assumed to be 10 percent, 10 percent and 5 percent respectively. The assumed rate of pay increases used to measure the benefit obligation at December 31, 1999, was changed to 3.5 percent.

Annual expense

millions of dollars	1999	1998	1997
Retirement-income expense (credit)	(32)	(16)	7
Other retirement-benefit expense	25	30	27
Total expense	(7)	14	34

Obligations at December 31

millions of dollars	1999	1998
Actuarial present value of retirement-income obligations		
Benefits based on service to date and present pay levels		
Registered-plan benefits	1 812	1 787
Supplementary benefits	161	165
Total accumulated benefit obligation	1 973	1 952
Additional benefits related to projected pay increases	197	257
Total projected benefit obligation	2 170	2 209
Funded assets at market value ^(a)	2 741	2 574
Net obligations or (surplus) for retirement-income benefits	(571)	(365)
Obligation for other retirement benefits	224	239
Net obligations or (surplus)	(347)	(126)

The net obligations or (surplus) consist of

Long-term liability (note 4)	385	438
Current liability	35	35
Unrecorded assets – net ^(b)	(767)	(599)
Total	(347)	(126)

(a) Assets of the retirement plans are held primarily in equity, fixed-income and money-market securities. Company contributions to the retirement plans are based on independent actuarial valuations and are made in accordance with government regulations. These contributions amounted to \$4 million in 1999 (1998 – \$17 million).

(b) Unrecorded assets are amortized over the expected average remaining service of employees, which is currently 16 years (1998 – 16 years).

Additional information regarding retirement benefits follows:

millions of dollars	Obligations at Dec. 31	Annual expense
As calculated using company's assumptions	2 394	(7)
Impact of one-percent change in		
Rate of return and discount rate	220	45
Pay increases	65	10

8. Incentive compensation programs

Long-term incentive compensation in the form of incentive share units is granted to retain selected employees and reward them for high performance. Selected executives may also elect to receive deferred share units in lieu of cash performance bonus payments. Nonemployee directors may elect to receive deferred share units in lieu of directors' fees. All units require settlement by cash payments. For deferred share units a charge is made to expense in the year of grant equal to the cash performance bonus payment foregone. The company records expense for incentive share and deferred share units based on changes in the price of common shares in the year.

Incentive share units have value if the market price of the company's common shares when the unit is exercised exceeds the market value when the unit is issued. The issue price of incentive share units is the closing price of the company's shares on The Toronto Stock Exchange on the grant date. Up to 50 percent of the units may be

exercised after one year from issuance; an additional 25 percent may be exercised after two years; and the remaining 25 percent may be exercised after three years. Incentive share units are eligible for exercise up to 10 years from issuance. The units may expire earlier if employment is terminated other than by retirement, death or disability.

In 1999 a total of 1,773,200 incentive share units were granted to 749 employees (1998 – 1,819,600 units to 759 employees; 1997 – 824,200 units to 664 employees). The number of incentive share units granted in 1998 was increased in response to the division in 1998 of the company's issued common shares on a three-for-one basis. The total number of incentive share units outstanding at December 31, 1999, was 5,143,425 units (1998 – 4,207,075 units). The amount charged to expense in 1999 for incentive share units was \$43 million (1998 – \$42 million credit; 1997 – \$76 million expense). The obligation for incentive share units outstanding at December 31, 1999, was \$77 million (1998 – \$60 million).

In 1998 the deferred share unit plan was made available to selected executives whereby they could elect to receive all or part of their performance bonus compensation in units. The number of units granted is determined by dividing the amount of the bonus elected to be received as deferred share units by the average of the closing prices of the company's shares on The Toronto Stock Exchange for the five consecutive trading days immediately prior to the date that the bonus would have been paid. Additional units are granted based on the cash dividend payable on the company shares divided by the average closing price immediately prior to the payment date for that dividend and multiplying the resulting number by the number of deferred share units held by the recipient.

Starting in 1999, a similar deferred share unit plan was made available to nonemployee directors in lieu of receiving all or part of their directors' fees. The number of units granted to a nonemployee director is determined at the end of each calendar quarter by dividing the amount of directors' fees for that calendar quarter that the nonemployee director elected to receive as deferred share units by the average closing price immediately prior to the last day of the calendar quarter.

Deferred share units cannot be exercised until after termination of employment with the company or resignation as a director and must be exercised no later than December 31 of the year following termination or resignation. On exercise date, the cash value to be received for the units will be determined based on the average closing price of the company shares immediately prior to the date of exercise.

In 1999 a total of 20,181 deferred share units were granted to four executives and five nonemployee directors (1998 – 22,633 units to four executives). The total number of deferred share units outstanding at December 31, 1999, was 42,814 units (1998 – 22,633 units). The amount charged to expense in 1999 for deferred share units was \$1 million (1998 – \$1 million; 1997 – nil). The obligation for deferred share units outstanding at December 31, 1999, was \$1 million (1998 – \$1 million).

9. Commitments and contingent liabilities

At December 31, 1999, the company had commitments for noncancelable operating leases and other long-term agreements that require the following minimum future payments:

millions of dollars	2000	2001	2002	2003	2004	After 2004
Operating leases ^(a)	63	48	36	26	17	52
Other long-term agreements ^(b)	294	221	106	81	59	160

(a) Total rental expense incurred for operating leases in 1999 was \$113 million (1998 – \$115 million; 1997 – \$119 million). Operating lease commitments related to joint venture activities are not material.

(b) Total payments under long-term agreements were \$415 million in 1999 (1998 – \$383 million; 1997 – \$375 million). Payments under other long-term agreements related to joint-venture activities are approximately \$80 million per year.

Other commitments arising in the normal course of business for operating and capital needs do not materially affect the company's consolidated financial position.

The company provides in its financial statements for site-restoration costs (see accounting policy on page 32). Provision is not made with respect to those manufacturing, distribution and marketing facilities for which estimates of these future costs cannot be reasonably determined. These are primarily currently operated sites. These costs (net of any expected recoveries) are not expected to have a material effect on the company's consolidated financial position.

Various lawsuits are pending against Imperial Oil Limited and its subsidiaries. The actual liability with respect to these lawsuits is not determinable, but management believes, based on the opinion of counsel, that any liability will not materially affect the company's consolidated financial position.

10. Common shares

number of shares	1999	1998	1997
Authorized (1997 data has not been restated)	450 000 000	450 000 000	225 000 000
Issued at December 31	431 475 233	431 475 233	447 984 969

In 1998, the issued common shares of the company were split on a three-for-one basis and the number of authorized common shares was increased from 225 million to 450 million.

The prior period number of shares outstanding and shares purchased, as well as net earnings and dividends per share, have been changed to reflect the three-for-one share split.

Net earnings per share are calculated on the monthly weighted average number of shares outstanding during the period.

In 1995 through 1998, the company purchased shares under four 12-month normal course share-purchase programs. Also in 1996, the company undertook an auction tender in which 72 million shares were purchased at a total cost of \$1,440 million. On June 21, 1999, another 12-month normal course program was implemented with an allowable purchase of 21.6 million shares (five percent of the total at June 17, 1999), less any shares purchased by the employee savings plan and company pension funds. The results of these activities are shown below.

Year	Purchased shares	Millions of dollars
1995 – 1996	104 634 699	2 008
1997	28 904 628	694
1998	16 509 736	434
1999	–	–
Cumulative purchases to date	150 049 063	3 136

Exxon Mobil Corporation's participation in the above maintained its ownership interest in Imperial at 69.6 percent, unchanged from 1998, 1997 and 1996.

The excess of the purchase cost over the stated value of shares purchased has been recorded as a distribution of retained earnings.

11. Marketable securities

At December 31, 1999, the company held \$59 million of Government of Canada treasury bills (1998 – \$30 million). These securities were purchased with the intent that they be held to maturity. The average yield on these securities in 1999 was 5.0 percent (1998 – 4.9 percent; 1997 – 3.3 percent).

12. Inventories of crude oil and products

In 1999, net earnings included an after-tax gain of \$18 million (1998 – \$9 million loss; 1997 – \$8 million gain) attributable to the effect of changes in LIFO inventories. The replacement cost of inventories was estimated to exceed their LIFO carrying values at December 31, 1999, by \$840 million (1998 – \$268 million).

13. Financing costs

millions of dollars	1999	1998	1997
Debt-related interest	128	129	122
Other interest	4	3	9
Total interest expense ^(a)	132	132	131
Foreign-exchange expense on long-term debt ^(b)	65	49	31
Total financing costs	197	181	162

(a) Cash interest payments in 1999 were \$135 million (1998 – \$132 million; 1997 – \$133 million).

(b) In 1999, the company redeemed \$87 million (U.S.) of its 8 3/4-percent long-term debt for \$136 million (Canadian), resulting in a \$28-million foreign-exchange expense and call premium (\$18 million after tax). In 1997 the company redeemed \$50 million (U.S.) of its long-term debt for \$67 million (Canadian), resulting in a \$6-million foreign-exchange expense (\$4 million after tax).

14. Research and development costs

Research and development costs in 1999 were \$69 million (1998 – \$72 million; 1997 – \$96 million) before investment tax credits earned on these expenditures of \$7 million (1998 – \$6 million; 1997 – \$8 million). The net costs are included in expenses, due to the uncertainty of future benefits.

15. Transactions with Exxon Mobil Corporation and affiliated companies (ExxonMobil)

In 1999, the company purchased in the short-term money market Canadian-dollar commercial paper of an Exxon Mobil Corporation subsidiary. These promissory notes mature less than three months from purchase date. The notes are recorded at cost plus accrued interest and amounted to \$456 million at December 31, 1999. Interest on the notes is at competitive Canadian interest rates. Accrued interest receivable at December 31, 1999, was \$1 million. The notes are guaranteed by ExxonMobil.

Revenues and expenses of the company also include the results of transactions with ExxonMobil in the normal course of operations. These were conducted on terms as favorable as they would have been with unrelated parties, and primarily consisted of the purchase and sale of crude oil, petroleum and chemical products, as well as transportation, technical and engineering services. Transactions with ExxonMobil also include amounts paid and received in connection with the company's participation in a number of natural resources joint-venture operations in Canada. In 1998, the company sold the chemicals Paramins business to ExxonMobil for \$35 million (see note 2). In 1997, the company sold its interest in a chemical technology venture to ExxonMobil for \$52 million (see note 2). A valuation by an independent third party confirmed that the selling price for the Paramins business and for the chemical technology venture represented a fair market value. The amounts paid or received have been reflected in the following categories in the statement of earnings, and include transactions with Mobil Corporation and affiliated companies from November 30, 1999, the date when a wholly-owned subsidiary of Exxon Corporation merged with Mobil Corporation so that Mobil became a wholly-owned subsidiary of Exxon. At the same time, Exxon changed its name to Exxon Mobil Corporation.

millions of dollars	1999	1998	1997
Operating revenues	351	297	338
Investment and other income	(1)	31	52
Purchases of crude oil and products	596	292	499
Operating expenses	85	72	85

Accounts payable due to Exxon Mobil Corporation at December 31, 1999, with respect to the above transactions were \$106 million (1998 – \$48 million; 1997 – \$85 million).

In 1995, the company entered into agreements with a wholly-owned subsidiary of ExxonMobil under which the company purchased Canadian-dollar discounted promissory notes at competitive Canadian interest rates. In 1996, the notes were repaid in full. Interest earned on the notes in 1996 was \$36 million (1995 – \$54 million).

16. Net payments to governments

millions of dollars	1999	1998	1997
Current income taxes (note 6)	602	163	662
Federal excise tax	1 188	1 190	1 157
Property taxes included in expenses	96	96	105
Payroll and other taxes included in expenses	42	43	36
GST/QST/HST collected ^(a)	1 329	1 194	1 385
GST/QST/HST input tax credits ^(a)	(950)	(828)	(1 005)
Other consumer taxes collected for governments	1 548	1 551	1 499
Crown royalties	347	136	263
Total paid or payable to governments	4 202	3 545	4 102
Less investment tax credits and other receipts	25	11	9
Net payments to governments	4 177	3 534	4 093

Net payments to:

Federal government	1 979	1 645	1 962
Provincial governments	2 102	1 793	2 026
Local governments	96	96	105
Net payments to governments	4 177	3 534	4 093

(a) The abbreviations refer to the federal Goods and Services Tax, the Quebec Sales Tax, and the federal/provincial Harmonized Sales Tax, respectively. The HST is applicable in the provinces of Nova Scotia, New Brunswick and Newfoundland.

Natural resources segment - supplemental information

Pages 42 and 43 provide information about the natural resources segment (see note 1, page 34). The information excludes items not related to oil and natural gas extraction such as administrative and general expenses, pipeline operations, gas plant processing fees and gains or losses on asset sales.

Results of operations

millions of dollars	Oil and gas			Athabasca oil sands (including Syncrude)			Total		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Sales to customers	790	486	635	—	—	—	790	486	635
Intersegment sales	752	479	743	556	391	476	1 308	870	1 219
Total sales ^(a)	1 542	965	1 378	556	391	476	2 098	1 356	1 854
Production expenses	465	462	529	263	278	275	728	740	804
Exploration expenses	28	32	31	—	5	9	28	37	40
Depreciation and depletion	370	356	389	50	53	53	420	409	442
Income taxes	332	74	205	82	17	53	414	91	258
Results of operations	347	41	224	161	38	86	508	79	310

Capital and exploration expenditures

millions of dollars	Oil and gas			Athabasca oil sands (including Syncrude)			Total		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Property costs ^(b)									
Proved	—	3	—	—	—	—	—	3	—
Unproved	—	1	1	—	5	4	—	6	5
Exploration costs	28	40	41	1	5	9	29	45	50
Development costs	216	234	294	184	104	81	400	338	375
Total capital and exploration expenditures	244	278	336	185	114	94	429	392	430

Property, plant and equipment

millions of dollars	Oil and gas		Athabasca oil sands (including Syncrude)		Total	
	1999	1998	1999	1998	1999	1998
Property costs ^(b)						
Proved	2 124	2 129	9	9	2 133	2 138
Unproved	107	117	11	11	118	128
Producing assets	4 566	4 290	1 127	1 064	5 693	5 354
Support facilities	115	115	155	160	270	275
Incomplete construction	104	180	188	63	292	243
Total cost	7 016	6 831	1 490	1 307	8 506	8 138
Accumulated depreciation and depletion	3 893	3 557	536	486	4 429	4 043
Net property, plant and equipment	3 123	3 274	954	821	4 077	4 095

(a) Sales of crude oil to consolidated affiliates are at market value, using posted field prices. Sales of natural gas liquids to consolidated affiliates are at prices estimated to be obtainable in a competitive, arm's-length transaction. Total sales exclude the sale of natural gas and natural gas liquids purchased for resale.

(b) "Property costs" are payments for rights to explore for petroleum and natural gas and for purchased reserves (acquired tangible and intangible assets such as gas plants, production facilities and producing-well costs are included under "Producing assets"). "Proved" represents areas where successful drilling has delineated a field capable of production. "Unproved" represents all other areas.

Net proved developed and undeveloped reserves ^(a)

	Conventional	Crude oil and NGLs millions of barrels			Natural gas billions of cubic feet
		Cold Lake	Syncrude	Total	
Beginning of year 1997	331	752	443	1 526	1 872
Revisions of previous estimates					
and improved recovery	6	—	—	6	(24)
Sale of reserves in place	(63)	—	—	(63)	(122)
Discoveries and extensions	16	—	190	206	24
Production	(31)	(39)	(17)	(87)	(138)
End of year 1997	259	713	616	1 588	1 612
Revisions of previous estimates					
and improved recovery	(8)	—	—	(8)	78
Sale of reserves in place	—	—	—	—	(21)
Discoveries and extensions	10	—	—	10	221
Production	(26)	(46)	(19)	(91)	(138)
End of year 1998	235	667	597	1 499	1 752
Revisions of previous estimates					
and improved recovery	17	—	—	17	29
Sale of reserves in place	—	—	—	—	(1)
Discoveries and extensions	—	250	—	250	63
Production	(27)	(39)	(20)	(86)	(151)
End of year 1999	225	878	577	1 680	1 692

(a) Net reserves are the company's share of reserves after deducting the shares of mineral owners or governments or both. All reported reserves are located in Canada. Reserves of natural gas are calculated at a pressure of 14.73 pounds per square inch at 60° F.

Conventional and Cold Lake crude oil and natural gas reserve estimates are based on geological and engineering data, which have demonstrated with reasonable certainty that these reserves are recoverable in future years from known reservoirs under economic and operating conditions existing at December 31 of the relevant year. Reserves of crude oil at Cold Lake are those estimated to be recoverable from the existing experimental pilot plants and commercial phases 1 through 13. The calculation of reserves of crude oil at Syncrude is based on the company's participating interest in the production permit granted in October 1979 and as subsequently amended by the Province of Alberta.

Net proved reserves are determined by deducting the estimated future share of mineral owners or governments or both. For conventional crude oil (excluding enhanced oil-recovery projects), oil from the Cold Lake pilots and natural gas, net proved reserves are based on estimated future royalty rates representative of those existing at December 31 of the relevant year. Actual future royalty rates may vary with production and price. For enhanced oil-recovery projects, Syncrude and phases 1 through 13 of Cold Lake, net proved reserves are based on the company's best estimate of average royalty rates over the life of each project. Actual future royalty rates may vary with production, price and costs.

Reserves data do not include crude oil and natural gas discovered in the Beaufort Sea-Mackenzie Delta and the Arctic Islands, or the resources contained in oil sands other than those attributable to Syncrude, the Cold Lake pilot area and phases 1 through 13 of Cold Lake production operations.

In 1999, Imperial's net proved reserves of crude oil and NGLs increased by 181 million barrels, while the proved reserves of natural gas decreased by 60 billion cubic feet. Production in 1999 totaled 86 million barrels of crude oil and NGLs and 151 billion cubic feet of natural gas. Revision of previous estimates and improved recovery increased reserves of crude oil and NGLs by 17 million barrels and increased reserves of natural gas by 29 billion cubic feet. Sales of reserves accounted for a decrease of one billion cubic feet of natural gas. Discoveries and extensions in 1999 totaled 250 million barrels of crude oil and NGLs, reflecting government approval of phases 11 to 13 at Cold Lake, and 63 billion cubic feet of natural gas.

Share ownership, trading and performance

	1999	1998	1997	1996	1995
Share ownership					
Average number outstanding, weighted monthly (thousands) (a)	431 475	438 636	462 138	527 569	577 534
Number of shares outstanding at December 31 (thousands) (a)	431 475	431 475	447 985	476 890	567 032
Shares held in Canada at December 31 (percent)	17.6	17.7	18.1	17.7	18.2
Number of registered shareholders at December 31 (b)	17 941	18 396	18 459	19 095	20 181
Number of shareholders registered in Canada	15 650	15 966	16 057	16 627	17 505
Shares traded (thousands) (a)	74 151	118 716	159 508	159 786	156 069
Share prices (dollars) (a)					
High	36.00	30.50	30.77	21.63	17.83
Low	21.70	20.80	19.87	15.97	15.03
Close at December 31	31.00	24.55	30.67	21.50	16.47
Net earnings per share (dollars) (a)	1.35	1.26	1.83	1.49	0.89
Price ratios at December 31					
Share price to net earnings (c)	23.0	19.4	16.7	14.4	18.5
Share price to cash flow from net earnings (d)	11.5	8.5	9.9	7.8	7.3
Share price to cash from operating activities (e)	9.1	12.6	14.4	6.5	5.8
Dividends declared (f)					
Total (millions of dollars)	324	323	337	354	365
Per share (dollars) (a)	0.75	0.74	0.73	0.68	0.63

(a) Restated to reflect a three-for-one share split in 1998.

(b) Exxon Mobil Corporation owns 69.6 percent of Imperial's shares.

(c) Closing share price at December 31, divided by net earnings per share.

(d) Closing share price at December 31, divided by cash flow from earnings per share (page 1).

(e) Closing share price at December 31, divided by cash from operating activities per share.

(f) The fourth-quarter dividend is paid on January 1 of the succeeding year.

Information for security holders outside Canada

Cash dividends paid to shareholders resident in countries with which Canada has an income tax convention are usually subject to Canadian nonresident withholding tax of 15 percent.

The withholding tax is reduced to five percent on dividends paid to a corporation resident in the United States that owns at least 10 percent of the voting shares of Imperial.

There is no Canadian tax on gains from selling shares or debt instruments owned by nonresidents not carrying on business in Canada.

Valuation day price

For capital gains purposes, Imperial's common shares were quoted at \$10.50 a share on December 31, 1971, and \$15.29 on February 22, 1994. Both amounts are restated for the 1998 share split.

Quarterly financial and stock trading data

	1999				1998			
	three months ended				three months ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Financial data (millions of dollars)								
Total revenues	1 972	2 419	2 793	3 164	2 238	2 319	2 344	2 244
Total expenses	1 866	2 246	2 418	2 786	2 036	2 128	2 109	2 125
Earnings before income taxes	106	173	375	378	202	191	235	119
Income taxes	49	77	166	158	89	82	39	(17)
Net earnings	57	96	209	220	113	109	196	136
Segmented earnings (millions of dollars)								
Natural resources	27	103	196	192	1	10	55	41
Petroleum products	27	(5)	4	28	99	95	56	24
Chemicals	10	9	22	8	22	19	36	15
Corporate and other	(7)	(11)	(13)	(8)	(9)	(15)	49	56
Net earnings	57	96	209	220	113	109	196	136
Per-share information (dollars) (a)								
Net earnings	0.13	0.22	0.49	0.51	0.25	0.25	0.45	0.31
Cash flow from earnings	0.48	0.49	0.72	1.01	0.67	0.65	0.73	0.84
Dividends (declared quarterly)	0.185	0.185	0.185	0.195	0.183	0.185	0.185	0.185
Share prices (dollars) (a) (b)								
Toronto Stock Exchange								
High	29.75	31.25	32.60	36.00	30.50	28.90	27.40	29.25
Low	21.70	26.00	27.75	29.85	25.17	25.10	20.80	22.60
Close	28.70	28.00	30.75	31.00	26.72	25.70	23.30	24.55
American Stock Exchange (\$ U.S.)								
High	19 5/8	21 7/16	22	24 7/16	21 3/8	19 7/16	18 5/16	18 7/8
Low	14 1/2	17 13/16	18 11/16	20 1/4	17 3/4	17 1/16	13 3/8	14 5/8
Close	19 1/8	18 15/16	20 13/16	21 5/8	18 7/8	17 7/16	15 1/4	16 1/16
Shares traded (thousands) (a) (c)	20 725	18 316	16 432	18 678	39 511	23 294	27 026	28 885

(a) Restated to reflect a three-for-one share split in 1998.

(b) Imperial's shares are listed on The Toronto Stock Exchange, and are admitted to unlisted trading on the American Stock Exchange in New York. The symbol on these exchanges for Imperial's common shares is IMO. Share prices were obtained from stock exchange records.

(c) The number of shares traded is based on transactions on the above stock exchanges.

Glossary of financial terms

Capital employed is short-term and long-term debt and shareholders' equity. Average capital employed is the average of the beginning-of-year and end-of-year amounts.

Cash represents cash in the bank and cash equivalents at cost. Cash equivalents are all highly liquid securities with a maturity of three months or less when purchased.

Debt represents amounts borrowed from external sources. These amounts exclude unamortized foreign-exchange gains or losses on debentures and notes.

Marketable securities are securities of the government of Canada and the provinces, banks and other corporations, with a maturity of longer than three months when purchased.

Net realizable value is the estimated selling price of an asset, less estimated costs of completion and disposal.

Deferred income taxes are the difference between income taxes deducted in calculating earnings in accordance with generally accepted accounting principles and taxes currently payable under income tax legislation. They result from certain deductions from income being recognized in different periods for tax and accounting purposes. The largest source of deferred income taxes is depreciation and depletion, where deductions are made earlier for tax purposes than for accounting purposes. Deferred income taxes are not a liability under the law.

Per-share information is calculated by dividing the respective nominal amounts by the average number of shares outstanding, weighted monthly.

Corporate governance

The following statement addresses the principal matters relating to the company's corporate governance practices as required by The Toronto Stock Exchange. It has been prepared by the nominations and corporate governance committee of the board of directors and has been approved by the board of directors.

Mandate of the board

The board is responsible for the stewardship of the company. In fulfilling its mandate, the board, among other matters, oversees major corporate plans, including strategic plans, plans for management development and succession, and plans for business development. The board monitors the integrity of internal controls, management information systems and systems to identify the principal risks to the company's businesses, as well as reviewing interim and annual financial and operating results.

The board met 11 times in 1999.

Composition of the board

The board of directors is currently composed of nine directors, five of whom are not employees of the company.

The four employee directors are considered to be related to the company. They are the chairman, president and chief executive officer, and the three senior vice-presidents of the company. The board believes that their extensive knowledge of the company's business is beneficial to the other directors and their participation as directors enhances the effectiveness of the board.

The board believes that all five nonemployee directors are unrelated to the company. Each of them is independent of management and none of them has any interest, business or other relationship that could or could reasonably be perceived to materially interfere with his or her ability to act in the best interests of the company.

The company has a significant shareholder, Exxon Mobil Corporation, which holds 69.6 percent of the outstanding voting shares of the company. The board believes that the investment of minority shareholders in the company is fairly reflected on the board.

Decisions requiring board approval

In addition to those matters that must by law be approved by the board, management is required to seek board approval for major transactions. The board of directors has delegated to senior management the authority to enter into various types of transactions,

subject to specified limitations. Management is also required to consult with the board before entering into any venture that is outside of the company's existing businesses.

Board's expectations of management

The board expects management to propose and, after board approval, to execute the company's strategic direction, long-term plans, goals and targets, and to be accountable for the company's financial and competitive performance. It also expects management to provide the board with timely, complete and accurate information on the business operations of the company, and to provide for the development of senior executives and to plan for their succession. As well, it expects the company's resources to be managed in a manner consistent with enhancing the value of the company, within the law, and with consideration for ethics and corporate social responsibility.

Independent functioning of the board

The board of directors does not have a chair separate from the chief executive officer.

The board believes that there are a number of structures and processes in place to facilitate the functioning of the board independently of management. The board has a majority of unrelated directors. The committee chairs are unrelated directors. Each committee has a majority of unrelated directors. The agendas of the board and its committees are not set by management alone, but by the board as a whole and by each committee. A significant number of agenda items are mandatory and recurring. Board meetings are scheduled at least one full year in advance. Any director may call a meeting of the board or a meeting of a committee of which the director is a member. There is a board-prescribed flow of financial, operating and other corporate information to all directors. Periodically, the unrelated directors hold meetings in the absence of the related directors.

The board has not implemented a system to enable an individual director to engage an outside adviser at the expense of the company; however, the board has concluded that provision of such advice can be dealt with on a case-by-case basis when requested by a director.

Description of the board committees, their mandates and their activities

The board has four committees: the audit committee, the environment, health and safety committee, the executive resources committee and the nominations and corporate governance committee.

Audit committee

R.J. (Dick) Currie, chair

The audit committee, composed of the unrelated directors and Mr. Mulva, reviews the company's annual and quarterly financial statements, accounting practices, and business and financial controls. The internal audit program and its findings are reviewed with the committee. It also recommends to the directors the external auditors to be appointed by the shareholders at each annual meeting, reviews their audit work plan and approves their fees. The shareholders' auditors attend and participate in all meetings. The committee met four times in 1999.

Environment, health and safety committee

S.D. (Sheelagh) Whittaker, chair

The environment, health and safety committee, composed of the unrelated directors and Mr. Peterson, reviews policies and programs for corporate environmental, health and safety matters. The committee oversees the company's performance in this area and monitors compliance with regulatory and corporate standards in the company's operations. It also monitors trends and reviews current and emerging policy in these areas. The committee met three times in 1999.

Executive resources committee

P. (Pierre) Des Marais II, chair

The executive resources committee, composed of the unrelated directors and Mr. Peterson, is responsible for decisions on the compensation of senior management above the level of vice-president and for reviewing the executive development system, including specific succession plans for senior management positions. It also reviews corporate policy on compensation. The committee met five times in 1999.

Nominations and corporate governance committee

L.R. (Red) Wilson, chair

The nominations and corporate governance committee, composed of the unrelated directors and Mr. Peterson, recommends to the directors the slate of director candidates to be proposed for election by the shareholders at the annual meeting. It assesses the effectiveness of the board as a whole, of committees of the board and of individual directors and is responsible for developing the company's approach to corporate governance issues. It also monitors the board's guidelines for the selection and tenure of directors and recommends specific director candidates when vacancies are expected. The committee met two times in 1999.

Imperial Oil Charitable Foundation

J.F. (Jim) Shepard, chair

The board of directors of the Imperial Oil Charitable Foundation, composed of the unrelated directors of the company and Mr. Fischer, oversees the company's charitable contributions program. Imperial's contributions program is aimed at enhancing the quality of life in communities where the company has a significant presence, with particular emphasis on education and youth. The directors met four times in 1999.

Procedures in place for recruiting new directors and establishing performance-enhancing measures

The nominations and corporate governance committee annually considers a list of potential nominees for directorships, assesses all incumbent directors against the criteria for continued board membership and considers their suitability for recommendation for election by the shareholders.

Each board committee is charged with assessing its mandate and its effectiveness and performs this function at least once a year.

The board regularly visits company operating sites.

Measures for receiving shareholder feedback and dealing with shareholder concerns

The company has an investor relations group that communicates with and responds to inquiries from both institutional and individual investors and the financial community.

Imperial annually solicits questions and comments from shareholders by way of comment cards that are mailed to shareholders in connection with the annual meeting. The comments received are reviewed by senior management, and those requiring a response are answered individually.

Investor relations staff are also available to shareholders by telephone and fax, and the company maintains extensive material of interest to shareholders and investors on the company's Web site at: <http://www.imperialoil.ca>

Directors, senior management and officers

Directors

R.J. (Dick) Currie

President

Loblaw Companies Limited
Toronto, Ontario

P. (Pierre) Des Marais II

President

Gestion PDM Inc.
Montreal, Quebec

B.J. (Brian) Fischer

Senior vice-president,
products and chemicals division
Imperial Oil Limited
Toronto, Ontario

P.T. (Pat) Mulva

Controller and senior vice-president,
finance and administration
Imperial Oil Limited
Toronto, Ontario

R.B. (Bob) Peterson

Chairman, president and chief executive officer
Imperial Oil Limited
Toronto, Ontario

J.F. (Jim) Shepard

Chairman and chief executive officer
Finning International Inc.
Vancouver, British Columbia

S.D. (Sheelagh) Whittaker

Chair, president and chief executive officer
EDS Systemhouse Inc.
Toronto, Ontario

K.C. (K.C.) Williams

Senior vice-president, resources division
Imperial Oil Limited
Calgary, Alberta

L.R. (Red) Wilson

Chairman of the Board
BCE Inc.
Toronto, Ontario

Senior management and officers

R.B. (Bob) Peterson

Chairman, president and chief executive officer

B.J. (Brian) Fischer

Senior vice-president,
products and chemicals division

P.T. (Pat) Mulva

Controller and senior vice-president,
finance and administration

K.C. (K.C.) Williams

Senior vice-president, resources division

J.F. (John) Kyle

Vice-president and treasurer

R.C. (Ron) Walker

Vice-president and general counsel

J. (John) Zych

Corporate secretary

Dividend and share-purchase information

	2000	2001		
	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.
Declaration date	May 24	Aug. 16	Nov. 16	Feb. 20
Dividend record date	June 5	Sept. 1	Dec. 1	Mar. 5
Dividend payment date	July 1	Oct. 1	Jan. 1, 2001	April 1
Share purchase cutoff date (cheques for share purchase must be dated and received no later than)	June 16	Sept. 15	Dec. 13	Mar. 16
Investment date (dividend-reinvestment and share-purchase funds are invested by the company on)	July 4	Oct. 2	Jan. 2, 2001	April 2

The declaration of dividends and the dates shown are subject to change by the board of directors.

The company reserves the right to amend, suspend or terminate the dividend-reinvestment and share-purchase plan at any time.

Share-purchase cheques should be made payable to The Trust Company of Bank of Montreal.

Dividend cheques are normally mailed three to five days prior to payment dates.

Quarterly statements for dividend-reinvestment and share-purchase plan participants are normally mailed two weeks after the investment dates.

Information for investors

Head office

Imperial Oil Limited
111 St. Clair Avenue West
Toronto, Ontario, Canada M5W 1K3

Annual meeting

The annual meeting of shareholders will be held on Thursday, April 20, 2000, at 11 a.m. local time at the Metro Toronto Convention Centre, 255 Front Street West, Toronto, Ontario, Canada.

Shareholder account matters

To change your address, transfer shares, eliminate multiple mailings, elect to receive dividends in U.S. funds or have dividends deposited directly into accounts at financial institutions in Canada that provide electronic fund-transfer services, or to enroll in the dividend-reinvestment and share-purchase plan, please contact The Trust Company of Bank of Montreal. United States resident shareholders may transfer their shares through Harris Trust Company of New York.

The Trust Company of Bank of Montreal
129 Saint-Jacques Street, Level B North
Montreal, Quebec H2Y 1L6
Telephone: 514-877-2584

Harris Trust Company of New York
88 Pine Street
New York, New York 10005
Telephone: 212-701-7671

For automated answers to questions about dividend payments, dividend reinvestment, lost dividend cheques, settling an estate or transferring or replacing share certificates, you can use Imperial's toll-free service to obtain information 24 hours a day, seven days a week.

In Canada call: 1-800-267-9515
In the United States call: 1-800-388-1518

Dividend-reinvestment and share-purchase plan

This plan provides shareholders with two ways to add to their shareholdings at a reduced cost. The plan enables shareholders to reinvest their cash dividends in additional shares at an average market price. Shareholders can also invest between \$50 and \$5,000 each calendar quarter in additional shares at an average market price.

Funds directed to the dividend-reinvestment and share-purchase plan are used to buy existing shares on a stock exchange rather than newly issued shares.

For more information

Web site – <http://www.imperialoil.ca>

Imperial's Web site contains a variety of corporate and investor information, including:

- current stock prices
- annual and interim reports
- *Form 10-K*
- *Information for Investors* (a factbook that describes the company and its operations in detail)
- executive speeches
- earnings and other news releases
- historical dividend information

Information is also available by writing to the investor relations manager at Imperial's head office or by phoning:

Telephone: 416-968-8145
Fax: 416-968-5345

Other contact numbers

Customer and other inquiries

Telephone: 1-800-567-3776
Fax: 1-800-367-0585

Corporate secretary

Telephone: 416-968-4713
Fax: 416-968-4095

Employee savings plan

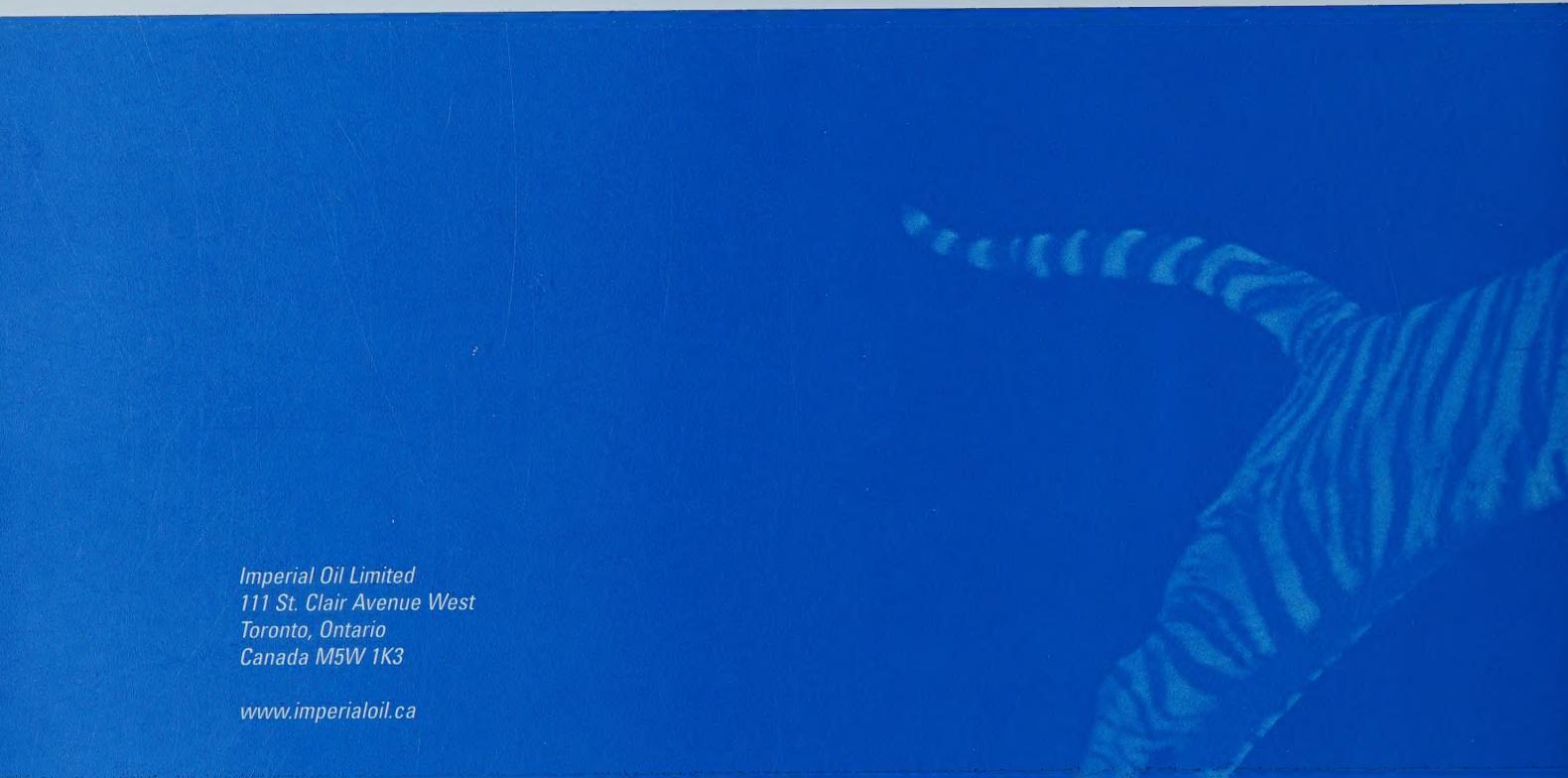
Telephone: 1-800-668-2648 (Canada Trust)

Version française du rapport

Pour obtenir la version française du rapport de la Compagnie Pétrolière Impériale Ltée, veuillez écrire à la division des Relations avec les investisseurs, Compagnie Pétrolière Impériale Ltée, 111 St. Clair Avenue West, Toronto, Ontario, Canada M5W 1K3.



Imperial Oil



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www.imperialoil.ca



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